

1/25/78

Folder Citation: Collection: Office of Staff Secretary; Series: Presidential Files; Folder: 1/25/78;
Container 60

To See Complete Finding Aid:

http://www.jimmycarterlibrary.gov/library/findingaids/Staff_Secretary.pdf

THE PRESIDENT'S SCHEDULE

Wednesday - January 25, 1978

8:15 Dr. Zbigniew Brzezinski - The Oval Office.

8:45 Mr. Frank Moore - The Oval Office.

9:00 Senator James B. Pearson. (Mr. Frank Moore).
(15 min.) The Oval Office.

10:30 Mr. Jody Powell - The Oval Office.

11:15 Mr. Charles Schultze - The Oval Office.

11:40 Senator Howard M. Metzenbaum and Mayor Dennis
(5 min.) J. Kucinich. (Mr. Jack Watson) - The Oval Office.

11:50 Senator Paul Hatfield/Family. (Mr. Frank Moore).
(5 min.) The Oval Office.

1:30 Congressman Carl Perkins. (Mr. Frank Moore).
(15 min.) The Oval Office.

2:00 The Honorable Boris N. Ponomarev, Chairman,
(20 min.) Delegation of the Supreme Soviet of the U.S.S.R.
(Dr. Zbigniew Brzezinski) - The Oval Office.

5:30 Drop-By White House Reception for Machinists.
(10 min.) (Mr. Landon Butler) - The State Dining Room.

Ponomarev

1-25-78

THE WHITE HOUSE
WASHINGTON

Want better US/SU relations

Be - good wishes

Peris mtyr imp

Fav - Posit dec recently

> SALT - MIRV - new - Bfine

> Indoc

> CTB

> N2 Bomb

> Ethiopia / Somalia
M. 9 17/21

THE WHITE HOUSE
WASHINGTON

1-25-78

John Dingell

15:25

Gas -

Respond well to

Counsel of friends -

Yes/no cont delay -

Frank Zarb - th

THE WHITE HOUSE
WASHINGTON
January 25, 1978

Frank Moore

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original has been given to Bob Linder for appropriate handling.

Rick Hutcheson

cc: Bob Linder

RE: COORDINATING CAMPAIGN
APPEARANCES

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION
FYI

	MONDALE
	COSTANZA
	EIZENSTAT
	JORDAN
	LIPSHUTZ
	MOORE
	POWELL
	WATSON
	McINTYRE
	SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
/	LINDER- <i>distri</i>
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE

WASHINGTON

January 25, 1978

MEMORANDUM FOR THE PRESIDENT

FROM:

FRANK MOORE

F.M./BR

Attached is a suggested memo from you to the Cabinet restating the procedures for coordination of campaign appearances and asking them to send us a status report on what they have done so far. This will enable us to begin to track and coordinate this effort.

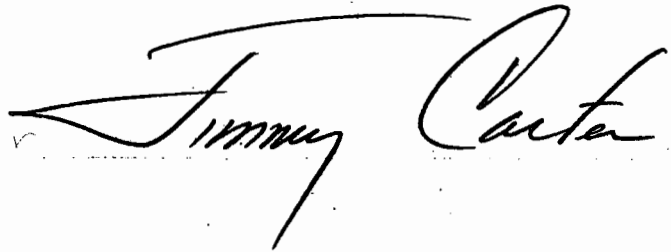
THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE CABINET MEMBERS
AND THE WHITE HOUSE SENIOR STAFF

At the January 16 Cabinet meeting, we discussed Congressional campaign appearances by members of the Cabinet and White House Senior Staff during the coming year. As I mentioned, Frank Moore will be coordinating all such Administration appearances on behalf of Members of Congress. This task is of great magnitude and requires your close cooperation.

The allocation of resources during this election year must be carefully tracked if we are to be effective. In order to facilitate this, I am asking that you provide Frank Moore's office with information on any events you have attended on behalf of Members of Congress to date, and any events to which you are committed for the coming year. Further, as discussed, members of the Cabinet and Senior Staff should be available at least twice each month for campaign-related activities. This will necessitate your providing projected schedules and preferred times each month when you are available for requested trips. This information should be kept up to date and as accurate as possible. Frank Moore's office will be in frequent contact with your schedulers and they should be aware of the importance of the campaign program and the need for maximum cooperation. These procedures will insure that we make the best possible effort to help candidates in 1978.

A handwritten signature in dark ink, reading "Jimmy Carter". The signature is fluid and cursive, with a large, sweeping initial "J" and a distinct "Carter" at the end.

THE WHITE HOUSE
WASHINGTON

1-25-78

To Pat Harris
Stu Eizenstat

Proceed on urban policy as
indicated on memo, but

- a) include all cities
- b) analyze existing programs first
- c) encompass federal state, local govt,
+ private & neighborhood groups +
volunteers.

I would like to place a
major emphasis on c) & try to
do it in an inspirational &
exciting way if possible.

My whole family will help.

Jimmy

THE WHITE HOUSE
WASHINGTON

<input type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

ACTION	FYI
<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

MONDALE

COSTANZA

EIZENSTAT *best McIntyre's*

JORDAN

LIPSHUTZ

MOORE

POWELL

WATSON

McINTYRE - *his memo only*

SCHULTZE

ENROLLED BILL

AGENCY REPORT

CAB DECISION

EXECUTIVE ORDER

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

ARAGON

BOURNE

BRZEZINSKI

BUTLER

CARP

H. CARTER

CLOUGH

FALLOWS

FIRST LADY

HARDEN

HUTCHESON

JAGODA

GAMMILL

KRAFT

LINDER

MITCHELL

MOE

PETERSON

PETTIGREW

POSTON

PRESS

SCHLESINGER

SCHNEIDERS

STRAUSS

VOORDE

WARREN

THE WHITE HOUSE
WASHINGTON

January 25, 1978

Stu Eizenstat

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

cc: Jim McIntyre

RE: URBAN POLICY

THE WHITE HOUSE

WASHINGTON

January 23, 1978

Shu
J

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT *Shu*

SUBJECT: Urban Policy

Attached are the following memoranda concerning the Administration's urban policy:

1. A memorandum from Secretary Harris and me which summarizes the major problems of central cities and suggests broad principles and objectives which could guide the Administration's urban policy;
2. A memorandum from Jim McIntyre commenting on Secretary Harris' and my memorandum; and
3. A memorandum from Jack Watson commenting on both of the above memoranda.

HUD/DPS Principles:

In our joint memorandum (pages 7-10), Secretary Harris and I suggest several principles and objectives which we believe should guide the Administration's urban policy. If you approve, these principles will be applied by each Department as it analyzes and suggests improvements in existing Federal programs. They also will guide any new urban policy initiatives. These principles will put a distinctive "Carter Administration stamp" on the Federal Government's urban programs. The key principles and objectives are:

- o Improve the functioning of existing Federal programs, before new initiatives are proposed. ✓

Include coordination & consolidation among agencies & programs. Also simplification of paperwork, planning procedures.

- o Increase the effectiveness of Federal grants, by leveraging additional funds from the private sector and State and local governments. ✓

*One more might
relate to quality of
life - air, crime, noise,
health, etc.*

Encourage the participation of private businesses, neighborhood groups, voluntary organizations and individual citizens in urban revitalization.

*Rosalynn will
help actively - as
one of the leaders.*

- o Strengthen the partnership among Federal, State and local governments. ✓
- o Increase access to opportunity for minorities and other disadvantaged citizens. ✓
- o Evaluate the urban impact of Federal actions and programs and strengthen their contribution to urban revitalization. ✓
- o Strengthen the private sector economic base of urban areas, and improve their physical facilities. ✓
- o Increase the flexibility of Federal programs to respond to the diverse needs of cities. ✓
- o Respond to the needs of all cities, while recognizing that some cities may require strategic targeting of additional resources. ✓

*These are
good*

You will note that this statement of principles is comprehensive and broad. Secretary Harris and I believe that such a statement makes sense substantively and politically.

- o First, this statement of principles is a public document and the Administration's first major statement on urban policy. Accordingly, it will be reviewed carefully by all of the interest groups and the media, some of whom are concerned that the Administration is not really committed to a "comprehensive urban policy." Only a broad policy statement which touches all of the bases will reduce these concerns.

- o Second, this statement has united HUD, DPS and the other Departments behind one set of urban policy principles. As you are aware, our difficulties with formulating an urban policy have been widely discussed in the media. A united statement of principles should reduce this divisive media attention.
- o Third, any successful urban policy must be "comprehensive", and address the economic, social and human needs of cities and their residents. A policy which focuses on only one of these needs (i.e. economic), inevitably will be dragged down by the failure to address the others.

OMB's Principles:

In his memorandum (pages 3-5), Jim McIntyre suggests an alternative set of principles. They are:

- o Focus on economic self-sufficiency for city residents and governments as the major goal of Federal action. *ok if not implying neg-lect by fed govt*
- o Emphasize the critical role of private sector resources in meeting this goal. *good*
- o Rely chiefly on existing resources for the Federal role, reorienting these resources as needed.
- o Emphasize cooperation with State and local governments and with neighborhood groups, both in the development of policy and in its implementation.
- o Avoid promising more than we can deliver. Long term trends brought urban areas to the point where they are today. No "urban policy" we can conceive of will reverse these trends overnight. *good*

- o Recognize the complex interdependencies of urban, suburban, exurban and rural areas.

In many respects, OMB's principles are consistent with Secretary Harris' and my memorandum. There is however, one fundamental difference of view. The OMB memorandum suggests a major "shift from amenities expenditures to a long-term investment strategy". Presumably, this implies a reduction in our commitment to social service programs and a major shift to economic and physical development efforts. I oppose such a strategy, because it suggests an overly narrow approach to urban policy and precludes important initiatives such as the work being done by Bill Milliken in the area of urban service coordination.

*I'm not
sure Jim
means this*

The "amenities expenditures" (education, health, community development, etc) which OMB criticizes provide essential services to the poor and unemployed who reside in our cities. It is unrealistic and inadvisable to divert resources away from these existing programs. In fact, my own discussions with urban experts, Mayors and others have confirmed my view that an effective urban policy must include an effective social service component. My recent meetings with Bill Milliken also have confirmed this view.

*I
agree*

OMB also suggests that a shift from amenities to physical and economic development will make our cities more attractive to private investors. No one can be certain, however, that this is true. In fact, recent studies by the Rand Institute suggest that a city must be an attractive place to live before it can attract private investment. Rand argues that an integrated strategy, providing both amenities and economic development, is needed. I subscribe to this view.

?

While we all agree that our new initiatives should focus, to a certain extent, on economic development, no-one should suggest that substantial resources be diverted from existing social service and human service programs.

*I
agree*

OMB's Suggested Initiatives:

In his memorandum (pages 5-7), Jim McIntyre lists a series of organizational, procedural and substantive initiatives which could be included in the urban policy. Many of these suggestions are sound ideas, on which

we, the agencies and OMB have been working for several months. Some probably will be included in our recommendations to you. However, I strongly recommend that you not make decisions about specific new initiatives until we have completed our analysis of existing Federal programs and can present to you the full range of options. This analysis will be completed in February. *ok*

*ok - but
don't exclude
OMB options
either -*

I would like to comment specifically on one of OMB's recommended initiatives. Jim McIntyre strongly suggests that a new economic development agency could be included in the urban policy. Without debating the merits and demerits of a new agency, I would like to recommend that any sweeping reorganization proposals be separate and distinct from your urban policy. Economic development reorganization is a complex issue which affects a broad range of urban, suburban and rural interests. It would be a political mistake to include it in the urban policy. Moreover, as we discussed earlier, reorganization in this area involves many controversial issues, such as the elimination of the Small Business Administration. If reorganization is included in the urban policy, these issues will become a "lightning rod" for Congressional criticism of that policy. They also will involve the agencies in a massive turf battle, diverting their energies from development of the policy. I recommend therefore, that you refrain from making any commitments in this complex area, until all of the options have been examined and adequate Congressional consultation has occurred. *ok*

Work Agenda:

Over the next four weeks, we will develop decision memoranda addressing the principles in Secretary Harris' and my memorandum. Each of these memoranda will include a thorough analysis of existing Federal programs. We expect to forward these memoranda to you in February. *Stay on schedule*

The process of developing these papers will involve extensive consultation with the Cabinet and outside groups. Due to the number of players and the depth of their commitment to certain policies, I expect that this process will generate some inter-agency friction, which I will attempt to keep to a minimum.

Those marked

Need meeting.

Secretary Harris' and my joint memorandum is the product of extensive negotiations concerning the content of our urban policy. These negotiations were designed to move Secretary Harris from the Urban and Regional Policy Group papers, which focused only on the "most distressed" cities, and toward a more broad-based statement of urban policy principles. While these negotiations were difficult, they succeeded in moving HUD and the Administration toward a position which is substantively and politically sound. The joint memorandum, thus, represents substantial movement by Secretary Harris toward principles which you articulated earlier. Secretary Harris' key changes of view included:

- (1) An agreement to develop an urban policy which is broad-based and responds to the needs of all cities, not just the "most distressed" cities in the Northeast and Midwest.
- (2) An agreement that the base of existing Federal programs must be analyzed, before new initiatives are proposed.
- (3) An agreement that our urban policy must be a partnership, involving all levels of government, the private sector, neighborhood groups and voluntary organizations.

Secretary Harris still is not completely comfortable with these particular points. It, therefore, might be useful if you would supplement your action on our joint memorandum with a personal note to Secretary Harris and me, highlighting your commitment to these three points.

THE WHITE HOUSE

WASHINGTON

January 11, 1978

MEMORANDUM FOR:

THE PRESIDENT

FROM:

PATRICIA ROBERTS HARRIS
STU EIZENSTAT

Pat
Stu

SUBJECT:

Urban Policy

This memorandum provides a summary of urban problems and recommends general principles and objectives for the Carter Administration's urban policy. If you approve, these principles and objectives will be the basis for intensive analysis of base programs, structural changes and new initiatives.

I. URBAN PROBLEM

Urban America is characterized by the following trends: continued decentralization of population and business; increasing fiscal and social service disparities between central cities and their suburban neighbors; continued concentration of minorities and poor in central cities. While liberal annexation policies and regional growth have reduced the impact of these trends and averted fiscal distress in many Southwestern and Western cities, recent dramatic population shifts between regions have heightened these trends in the Northeast and Middle West.

Those cities which are most adversely affected by these trends exhibit the following signs of distress:

-- Private Sector Job Loss: Private sector jobs in central cities grew from 1960-1970, but declined from 1970-1975. The principal job losses were in manufacturing, suggesting that future employment growth for central cities will be concentrated in service industries. An increasing mismatch has developed in many cities between available jobs and the skill/education levels of those in the labor force or those who would like to be in the labor force. The disparity between suburban and central city employment rates has widened steadily during the 1970's.

-- Population Outmigration: Twice as many people left central cities from 1970-1975 as left during the entire previous decade. Net outmigration of the middle class from the central cities is continuing despite evidence of new popularity of cities for singles and childless couples.

-- Low Income Population: Income disparities between suburbs and central cities are widening. There is some evidence that the net immigration of poor people into cities is declining, but central cities still provide shelter for a disproportionate share of impoverished households and minorities. In 1974, 37% of the nation's poor lived in central cities compared to 26% in 1959.

-- Underutilized Resources: The dispersal of population has reduced energy efficiency, and has led to the underutilization of urban facilities, infrastructure and land. Because the cost of many city services remains fixed even while population declines, per capita city expenditures rise as the population shrinks.

-- Physical Deterioration and Decay: The single largest proportionate decrease in spending for distressed cities has been in the area of capital expenditures. As the physical infrastructure deteriorates an opportunity to conserve existing resources is lost. In addition, a key economic rationale for helping cities--that there is a national interest in utilizing existing infrastructure--is weakened.

Housing Problems: The increased cost of new and existing housing has restricted the housing choices available to most urban residents. The failure to provide capital at reasonable and predictable rates, residential redlining and private market disinvestment, and the inconsistent funding and administration of Federal housing programs have combined to impede major revitalization and new construction in urban areas.

Limited housing options and deteriorated housing stock have become a major problem in distressed cities.

-- Fiscal Strain and Tax Burden: The outflow of taxable wealth, coupled with the presence of a high service-cost population, has created a revenue-expenditure imbalance in a growing number of cities.

Expenditures in most distressed cities are growing at a rate much faster than increases in the value of real property. The expenditure growth rate in older cities has slowed significantly over the past three years, but bringing expenditures in line with revenues trends to require annual absolute reductions in service levels in high strain cities.

In all regions except the South, per capita non-school taxes and expenditures of central city governments rose much faster than per capita non-school taxes and expenditure of suburban governments.

Local taxes required a payment of 9.1% of resident income in central cities in 1970 and only 6.8% in the suburbs. Personal incomes grew almost twice as rapidly in suburbs as in cities between 1960-1973.

In the 15-25 most distressed cities, the expenditure growth rate for a current services budget exceeds the revenue growth rate by at least 2-5%. These cities must either raise taxes or reduce services by 2-5% each year simply to fund ongoing activities. Whether the city resorts to higher taxes or reduced services to close the gap, the consequence is further outmigration, which in turn weakens the tax base and deepens the cycle. In high distress cities, there are inadequate resources to halt the cycle.

Although state and local governments had an aggregate surplus of \$18.4 billion in 1976, the presence of a budget surplus at the end of a fiscal year, which often is a constitutional requirement, may obscure expenditure cutbacks that were necessary to achieve that surplus: i.e., New York City's 1978 budget will show a \$100 million "surplus" as defined by state law. In addition, much of the "surplus" is at the state level and much is due to accumulated pension funds which are not available for general use.

-- Urban Crime: In a recent Gallup Poll, the high crime rate was repeatedly cited as the worst feature of urban life. Crime - and fear of crime - is strongly associated with neighborhood deterioration. It presents a major obstacle to central city business and residential redevelopment and erodes the stable economic base within communities.

-- Urban School Systems: City public school systems are generally under-funded, experience greater vandalism, and have higher drop-out rates than non-urban school systems. Inferior public education in cities is viewed as a significant reason for abandonment of the cities by families with school-age children.

-- Discriminatory Practices: Minorities face many obstacles to full participation in the life of this country. Because of discriminatory practices, their job, housing, cultural, education and business opportunity options in metropolitan areas are often narrow ones. Similarly, because of discriminatory practices, their choice of residence is usually limited to older and/or decaying neighborhoods in cities. Racial concentration in cities may heighten racial tensions and limit city options concerning revitalization.

-- Political Fragmentation and Fiscal Disparities: Many cities are surrounded by numerous independent jurisdictions and are served by numerous special districts. Many cities must rely on an increasingly narrow tax base to respond to the needs of an increasingly large poverty population. Tax jurisdiction policies are set by state governments.

II. SCOPE OF THE PROBLEM

Central city decline is not universal. The Brookings study suggests that one-quarter of the cities above 50,000 and one-half of all cities above 500,000 population can be characterized as distressed. Therefore, the Administration's urban policy must recognize distinctions between types of cities. Our urban policy must address both distressed cities and other urban areas large and small which may have pockets of distress or which may become distressed in the future without adoption of a coherent, national urban policy.

However, the problem is spreading. Many healthy cities (e.g., L.A., Dallas) began to show the first signs of population loss in the period from 1970 to 1975. Moreover, there are "pockets of distress" in even the healthiest cities, and fiscal disparities between central cities and suburban areas are growing.

In the South and West, annexation has averted fiscal distress but masked inner city decay. Virtually every major Southern city that grew during the 1960's did so through annexation.

III. UNDERLYING CAUSES OF THE PROBLEM

The principal causes of urban decline are private market forces augmented or reinforced by state and federal policies, and age and density of the cities themselves.

Private Market Forces: To an important extent, urban decline is caused by economic forces over which the Federal Government has little control: i.e., technological change, residential preferences, regional business costs disparities. Affluence and the automobile have facilitated the search for single family housing in the suburbs.

Clearly, one of the principal elements causing urban problems is the decline of the private sector economic base. Private sector economic growth provides jobs and income for city residents and a tax base for the city. A long term urban strategy must address this issue.

Age and Density: There is a consistent correlation between the age and density of a central city and its economic and social condition. The older and denser cities often have inefficient land use patterns and deteriorating public infrastructure, as well as concentrations of poor and elderly residents. Cities must meet the higher per capita costs of urban services and maintenance of older capital stock. Housing deterioration generates neighborhood decay and community disinvestment.

Federal Policies: Although the effect of Federal policies is difficult to measure, the Federal Government has, often, inadvertently, reinforced and strengthened existing trends.

Rand Corporation and other studies have documented the anti-urban impact of many federal policies which theoretically are geographically neutral. Examples of this are past federal policies relating to highway construction, federal mortgage insurance, water and sewer grants and the federal income tax code. On the other hand, policies which may not benefit cities may serve other important federal policy objectives, i.e., certain Defense Department activities.

Dispersal of Federal Aid: Federal aid to localities as a percentage of local revenues has risen steadily over the past decade, from 6 percent in 1966 to 25 percent in 1976. However, the recent movement toward block grants and formula distribution has led to an even broader dispersion of benefits and relatively less assistance for distressed cities. Indeed, from 1969-1975, federal payments to the average municipality rose 50 percent faster than payments to 10 major older cities. In contrast, targeting efforts, like HUD's revised CDBG formula, help to apportion funds more consistently with need.

Problems of Existing Federal Programs: A great deal of federal assistance currently is provided to the most distressed cities. Often this assistance is provided in an uncoordinated fragmented manner. A successful urban strategy requires better use of existing base programs.

A description and analysis of base programs with major urban impact is attached at Tab A.

The Role of the States: The division of responsibility between the State and its localities concerning policies and powers in the areas of economic development, educational financing, social services and taxes significantly affects the conditions of central cities. Many of these policies are set solely by State governments and vary widely by States.

Liberal State annexation policies in certain parts of the South (e.g., Jacksonville) and West (e.g., Houston) have permitted cities in these regions to share the benefits of growth in surrounding areas. Cities in the Northeast and Midwest have remained "landlocked", permanently separated from the growth in surrounding areas. If San Antonio, Texas, for example, had the same boundaries that it had in 1945, it would contain more poverty and unemployment than Newark, New Jersey.

The Local Government's Role: The most "distressed" central cities do not have the fiscal resources to solve their own problems. Many, nevertheless, have initiated stringent fiscal controls to address these problems. Some cities, however, have not developed appropriate strategies to create an attractive climate for private investment. Others have been slow to bring expenditures in line with revenues or to develop appropriate management and planning techniques. Our urban policy must insure accountability by local governments.

IV. STRATEGY

We believe that your forthcoming message should not attempt to set out a final urban program but should:

- o Define broad policy principles and objectives and commit us to a long-term effort (through programmatic revision and reorganization) to make federal programs responsive to these principles.
- o Thoroughly analyze the base programs and announce immediate steps to improve and coordinate operation of these programs consistent with these principles.
- o Summarize the Administration's current (enacted and pending) initiatives to help cities and their people

(welfare reform, countercyclical revenue sharing, urban development action grants, CDBG expansion and targeting, increased emphasis on housing rehabilitation and expanded construction of new housing, \$200 million social services add-on for day care, education funding and program modifications, CHAP).

- o Announce new initiatives which implement the principles and objectives and which are specifically designed to:
 - Improve functioning of base programs;
 - Continuously evaluate the impact of past and future federal actions on cities;
 - Utilize federal funds efficiently by leveraging non-federal public and private sector funds;
 - Create incentives for structural reforms by state and local governments;
 - Reflect the diversity of urban problems, but target assistance to areas of greatest need;
 - Address the needs of distressed cities that have both short-term fiscal shortfalls or problems and deteriorating physical infrastructure;
 - Work to remove the anti-urban bias in certain federal programs including federal tax provisions;
 - Help all urban areas to rebuild or continue to build a stable economic base and alleviate the cycle of economic and fiscal decline;
 - Increase access to the American economic system for minorities and other disadvantaged citizens;
 - Help urban areas respond to housing and neighborhood revitalization needs;
 - Strengthen the Federal-State-local partnership.

Your message would express the Administration's concerns for the health of the nation's cities and the quality of life available to their residents. It would establish a comprehensive commitment to urban economic and community development. Furthermore, it would link this commitment to well-defined jobs, revitalization, housing and social policies.

V. PRINCIPLES AND OBJECTIVES

Working sessions with URPG members led to a refined set of specific principles and urban objectives.

(a) Principles. URPG provided a broad set of policies to guide federal options with respect to cities.

- Concern for the needs of all cities and metropolitan areas, within the context of balanced national growth priorities.
- Recognition that some cities have more intense problems than others and that strategic targeting of select resources is both equitable and proper.
- Recognition that the federal government has a positive role to play in helping cities respond to problems caused by growth and decline.
- Recognition that federal policy must be sufficiently flexible to meet the diverse needs of different cities.
- Recognition that the private sector, neighborhood groups, volunteer groups, and concerned citizens must play an important role in securing a healthy city.
- Recognition that limited federal resources require maximum use of federal dollars to leverage State and local government commitment as well as private sector investment.
- Recognition that the federal government has the responsibility to take the lead in developing policies which include racial minorities in national economic development activities.

- (b) Objectives. The above principles would guide our effort to address the following interrelated federal policy objectives.
- (1) Meeting emergency needs of communities and people in distress, including:
- o Fiscal assistance to bridge the revenue-expenditure gap, avoid counter-productive service reductions and tax increases, and stimulate revitalization efforts.
 - o Employment opportunities for their large concentrations of unemployed citizens, particularly young persons aged 16-25.

Unemployment affects many persons who do not live in cities. Unemployment programs apply, and should continue to apply to non-urban areas. Yet unemployment is so central a problem of distressed cities that it must be a central focus of urban policy.

- (2) Strengthening or stabilizing the private sector economic base for all American urban areas:

It is clear from the work of the URPB that the long term picture of our cities depends on developing (and/or retaining) a viable base of private sector activity, to provide jobs and tax base. This should be an important element of our policy.

- (3) Making cities and urban areas more attractive places in which to live and work, curbing the deterioration of capital infrastructure, improving and expanding housing stock, addressing the problem of street crime and discouraging urban sprawl.

Revitalizing neighborhoods and providing expanded housing choices, particularly for the poor and minorities should be key Administration goals. They are also essential to the goals of strengthening local economies.

- (4) Strengthening the fiscal condition of cities and urban areas to increase their competitive attractiveness. This objective lends itself to use of limited federal incentives to encourage innovative partnerships with States and metropolitan areas.

- (5) Strengthening efforts to eliminate discrimination and encourage equal opportunity.

URPG's report documented the price this nation has had to pay and continues to pay because of discrimination and racism. The objective can be met without major new expenditures. It requires amending and strengthening existing enforcement mechanisms and procedures. It is an essential element of an urban policy.

The principles and objectives (if you approve) will guide an intensive analysis of our federal base programs and of any new initiatives. They will also provide the basis of an innovative effort to evaluate continuously the urban impact of federal programs. Under each objective, we have listed in Tab A the applicable base programs. We have presented no new programmatic initiatives in this document, except those which you have already approved or which are being presented to you through the normal budget/legislative process. However, we will return to you with a more detailed policy/programmatic memorandum later this month.

DECISION

- _____ Approve principles and objectives described above as basis for analysis of base programs and new initiatives.
- _____ Disapprove.
- _____ Need meeting with the Secretary.

Note: If you approve we would expect to report to you on progress later this month. We would work closely with Mrs. Carter and the Vice President, and consult widely with mayors, governors and local leaders.

Attachment

TAB A

AN INITIAL LIST OF KEY URBAN PROGRAMS

Tab A provides an initial and partial list of key Federal aid programs affecting urban areas. A detailed program evaluation is now underway and will be presented to you shortly after the first of the year. Each program will be measured based on performance to date as well as proposed urban objectives. (See memorandum from Secretary Harris and Stuart Eizenstat.)

OBJECTIVE I: MEETING EMERGENCY NEEDS OF COMMUNITIES AND PEOPLE IN DISTRESS

Fiscal Assistance

(1) The Base

- o Countercyclical aid (ARFA): Funds to States and localities with unemployment above 4.5 percent. Targets will be cities in distress; in 1977 per capita payments to high-distress cities were \$16, compared to \$3 for low-distress cities. FY 1978--\$1.6 billion.
- o Education Impact Aid: Funds to local school districts based on number of children in Federal facilities which are exempt from local property taxes. FY 1978--\$ billion.
- o Urban Development Action Grants (UDAG): Discretionary funds to distressed cities to meet non-recurring economic development opportunities. The program is aimed primarily at economic development and leveraging public and private sector funds. FY 1978--\$400 million.
- o Community Development Block Grants: Funds distributed primarily by formula to local governments for neighborhood and economic development and rehabilitation activities principally benefiting low and moderate income persons. HUD-initiated statutory and criteria changes tilt program funds in favor of distressed cities and clearly focuses funds on the poor as well as distressed neighborhoods. FY 1978 outlay--\$3.5 billion.

Employment

(1) The Base

The Federal Government presently is devoting almost \$6 billion to promoting employment, generally through programs targeting greatest aid to areas of greatest need.

- o CETA: (SMSA figures, there are no central city figures) Funds to 450 State, county and city prime sponsors for employment (725,000) and training programs, including youth--P.S.E.
FY 1978--\$3.683 billion
Training, FY 1978-- \$1.780 billion
- o Local Public Works: A temporary \$6 billion budget authority program allocated to States and localities on the basis of unemployment. EDA estimates 42.4 percent of the funds go to cities of over 50,000. Davis-Bacon wage levels are mandated.
Outlay, FY 1978--\$.280 billion. (Balance was spent in FY 1977)
- o Youth Employment and Demonstration Projects: Funds to CETA prime sponsors for youth employment program, and funds for the Young Adult Conservation Corps, a revival of the C.C.C. program of 1930's.
Urban Outlays, FY 1978--\$.372 million
- * Other Federal programs which are not specifically designed to promote employment have substantial and positive employment benefits.

OBJECTIVE II: STRENGTHENING OR STABILIZING THE PRIVATE SECTOR ECONOMIC BASE

(1) The Base

- o Community Development Block Grants: Funds distributed primarily by formula to local governments for neighborhood and economic development and rehabilitation activities principally benefiting low and moderate income persons. The Carter Administration has amended the Block Grant Program to allow for more extensive economic development activities, and to encourage the development of comprehensive strategies at the local level.
FY 1978 outlay--\$3.5 billion

- o Urban Development Action Grants (UDAG): Discretionary funds to distressed cities for economic development projects.
FY 1978--\$400 million
- o EDA Loans/Grants: Funds to cities and businesses for local capacity building with respect to economic development and for direct economic development purposes. Approximately 25 percent of present funds are directed at urban areas. (There are no figures for central cities.)
FY 1978--\$409 million
- o Small Business Administration (SBA): Provides loans and grants for small business development. Approximately _____ percent of program funds are directed at cities.
FY 1978--\$ _____

OBJECTIVE III: MAKING CITIES MORE ATTRACTIVE PLACES TO LIVE/WORK ...

(1) The Base

- o General Revenue Sharing: Provides general assistance to States and localities. Twenty percent of aid to cities over 100,000 which have _____ percent of the nation's population. Provides slight advantage for distressed cities.
FY 1978 outlay--\$6.5 billion
- o Planning and Technical Assistance Programs: HUD provides several types of planning and assistance. Approximately _____ percent of available funds are directed at cities.
FY 1978--\$.064 billion
- o EPA Public Facility Grants: EPA provides funds to States and cities for waste water treatment plants, etc. (Urban impact unknown.)
1977 Budget total: \$6.7 billion
- o Transportation: Department of Transportation provides funds for Urban Highway and Urban Mass Transit programs. (Urban impact unknown.)
FY 1978--\$2.58 billion
- o Title XX Social Services: HEW provides 75 percent Federal matching for a broad range of State and local social services, such as day-care programs. No data presently available on urban allocation. Federal funding limited to \$2.7 million obligated authority annually.

- o Compensatory, bilingual and Indian education programs
Compensatory Education (ESPA Title I): Title I is providing \$2.775 billion in supplementary education for poor children in 14,000 of the nation's 16,000 school districts. HEW estimates that 38 percent goes to urban districts. Funding based on number of low income children.
- o LEAA: Provides grants through States and areawide public entities for improvements in law enforcement and crime prevention procedures. Approximately _____ percent of LEAA funds are directed to cities or for projects in cities.
FY 1978--- _____
- o HUD: Assisted Housing Program. HUD assisted housing provides funding to local housing authorities, State agencies and private non-profit groups for new construction and for substantial rehabilitation and preservation of existing housing stock. The program level for the current fiscal year is 380,000 units, 50 per cent of which will be located in central cities.
FY 1978 Contract Authority--\$1,258 billion
- o HUD: Housing for the Elderly/Handicapped. In 1978, HUD will provide direct loan assistance for the construction of 24,000 units of elderly/handicapped housing (Section 202), 50 per cent of which will be located in central cities.
FY 1978 lending limitation--\$750 million
- o HUD: Housing Preservation. HUD provides reduced interest loans for housing rehabilitation (Section 312). 100 per cent of assisted units are in central cities.
FY 1978 lending limitation---\$95 million
- o Municipal Bond Tax Exemption: Lowers borrowing costs for State and local issuers; reduction in borrowing costs varies with the maturity of the debt, with shorter-term securities enjoying a greater reduction in interest rates relative to taxable securities.
FY 1978 outlay -----

OBJECTIVE IV: HELPING REDUCE FISCAL AND SOCIAL DISPARITIES
 BETWEEN CITIES AND THEIR SUBURBAN NEIGHBORS

The Base

Many of the programs enumerated above serve dual purposes. Existing programs that are tilted toward cities or which grant preference to cities help address disparity issues (e.g., CDBG, range of countercyclical aids). Clearly, programs aimed at economic development will ultimately serve the same purpose. (New urban initiatives will provide limited incentives to States and metro areas in order specifically to address the disparity issue.)

OBJECTIVE V. STRENGTHENING EFFORTS TO ELIMINATE DISCRIMINATION
 AS WELL AS INSTITUTIONAL RACISM

The Base

Equal opportunity and affirmative action programs exist in most agencies. Their effectiveness and impact on cities is being reviewed. Certain programs have specific goals of eliminating employment and housing discrimination. For example, HUD's Section 8 Housing Program will be used to provide access for minorities to suburban housing markets. DOT is guaranteeing that 15 percent of the work on modernizing the Northeast corridor rail system go to minority-owned firms.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

JAN 19 1978

MEMORANDUM FOR THE PRESIDENT

FROM: JAMES T. MCINTYRE, Jr.

Jim McIntyre

SUBJECT: Urban Policy Statement

The urban policy statement submitted to you by Stu Eizenstat and Secretary Harris successfully places the major urban problems in perspective.

Unfortunately, however, the statement reflects all too well the many competing interests and viewpoints that exist in the urban field. As a consequence, the principles and objectives stated are too vague, too general, too all inclusive to give much guidance to the refocusing and redirection of existing programs that is needed. On the contrary, they may lead to further turf battles as agencies with urban programs seek to interpret ambiguous principles in a manner which tends to support their programs.

Among other things, the statement fails to clarify the critical choices that must be made in formulating an urban policy -- choices about:

- ° which of the many urban problems to respond to, and whether to focus on their effects or their causes;
- ° whether to concentrate assistance on communities of particular size, location, or degree of economic distress;
- ° what to ask of States, local governments, business and community groups, and others in return for Federal aid.

It is our judgment that we must begin now to shape the specific principles and objectives through which we would define a distinctive approach to urban policy.

What follows is a draft of an urban policy statement that we believe initiates such an effort to focus and reflects as well the policy and management concerns you have expressed. It may not be appropriate as a public statement but we hope it will help you provide more specific staff guidance on policy in this area.

A Working Strategy on Urban Policy

I. The Problems

America's urban problems are the product not of the absence of an urban and regional policy but of the success of one.

At least since the Housing Act of 1949, which committed the Federal government to assuring "a decent home in a suitable living environment" for every family, this country has pursued a clear policy on urban and regional development.

Since for most Americans a "decent home in a suitable living environment" has meant a single-family home in the suburbs, the thrust of this policy has been to encourage the powerful social and economic trends dispersing jobs and people in American metropolitan areas. While government policy did not create these trends, it has certainly supported them -- by providing mortgage insurance, by building highways into undeveloped suburban areas, by offering tax incentives for homeowners, and by helping local governments with infrastructure investments.

No recitation of urban ills can afford to ignore the impressive achievements resulting from these efforts:

- ° The incidence of physically substandard urban housing has declined dramatically.
- ° The housing choices and general mobility of the urban population have been vastly expanded.
- ° A new urban lifestyle has been created, bringing to the urban setting some of the most cherished features of America's rural past -- the independence, the mobility, the tradition of single-family homesteads on a plot of land, and the pattern of small town self-government.

What is now becoming increasingly apparent, however, is that these achievements have had some immensely significant costs:

1. They have undermined the economic viability of the central cities, especially where State laws have limited annexation.
2. They have entrapped the latest urban migrants -- the Southern Blacks -- in chronic poverty and unemployment, since these migrants arrived in the central cities just as the jobs they could have filled were leaving.
3. They have fastened on the Nation a settlement pattern that wastes energy and harms the environment.

Some efforts have been made to correct these problems, beginning with the urban renewal programs of the 1950's and continuing through the poverty program, the model cities program, and related Great Society initiatives of the 1960's. However, these efforts have been so disparate in approach, so fragmented in structure, and so uncertain in funding that they have hardly made a dent. Most importantly, they failed to touch the existing base of ongoing programs pulling in the opposite direction.

The question now facing the Administration is whether to address these problems more systematically and frontally. To do so, it will be necessary to make some difficult strategic choices about the principles that should guide such an effort and then formulate an approach that is consistent with these principles.

II. Underlying Principles

Based on previous experience and existing fiscal conditions, the following basic principles seem most appropriate as a guide to a new urban policy:

1. Focus on economic self-sufficiency for city residents and governments as the major goal of Federal action.

This principle implies a shift from expenditures on symptoms to a long-term investment strategy that concentrates on underlying causes. It also implies Federal support for state involvement in aiding cities.

A strategy that fails to focus on underlying problems will continue the cycle of dependence. ?

2. Emphasize the critical role of private sector resources in meeting this goal.

The long range trends which have led to urban problems are the result of millions of producers and consumers making individual private decisions. If government cannot affect these private choices, its direct decisions will be useless. ok

3. Rely chiefly on existing resources for the Federal role, reorienting these resources as needed.

The government is already spending \$50 billion in this area. Given our resource constraints, only marginal additions are likely. Therefore, if we are unhappy with present results, we have no choice but to address the resource base. ok

4. Emphasize cooperation with State and local governments and with neighborhood groups, both in the development of policy and in its implementation.

Cooperation should make possible a case by case approach to the problems of poor people living in diverse communities and a carefully considered effort to mesh the various levels of government to provide solutions tailored to these communities. ok

5. Avoid promising more that we can deliver. Long term trends brought urban areas to the point where they are today. No "urban policy" we can conceive of will reverse these trends overnight.

On the surface, this principle suggests simple prudence with respect to how we articulate our general policy. What is less obvious, however, is our belief that we must try to distinguish between those situations in which government action can, in fact, affect change and those in which it cannot. ok

6. Recognize the complex interdependencies of urban, suburban, exurban and rural areas.

It may well be self-defeating in both pragmatic and political terms to emphasize urban areas or "distressed cities" to the exclusion of other areas. More than 60% of the Nation's population lives in small cities, towns, and rural areas with problems similar to those of large cities. ok

III. Major Elements of a New Urban Policy

An urban policy consistent with these principles will require three kinds of changes:

1. Structural/Organizational

The existing fragmentation of authority that now exists in the urban development field at the Federal level is beyond the ability of coordinating mechanisms to resolve. A significant structural reorganization may be necessary to create an agency with the clear mission and the critical mass of tools needed to promote economic self-sufficiency on the part of city residents and governments.

We should consider whether such an agency, if created, should also deal with issues of rural development policy.

Such reorganization could refocus and redirect existing programs. By fixing responsibility and providing sufficient authority to carry out that responsibility, reorganization could not only improve program effectiveness but also help to mobilize private resources and State and local government energies now frustrated by the bureaucratic barriers.

2. Procedural

To complement these structural changes, several procedural changes will also be needed to ensure program integration and responsiveness. These changes may include such things as:

- ° development of an improved coordination mechanism at the Federal level for urban programs. Joe Califano's suggestion that you establish in the Executive Office of the President an office to be headed by a Special Representative for Domestic Assistance merits consideration as such a coordination mechanism;

- ° use of a single local plan for urban development programs to encourage involvement by State and local government officials and voluntary groups; ✓
- ° consolidation of planning assistance programs to support State and local economic development planning and implementation capabilities; ✓
- ° consolidation of economic development assistance programs; ✓
- ° strengthened subnational coordination mechanisms; and
- ° simplification of application procedures, unification of funding cycles, standardization of planning requirements, and other process changes. ✓

3. Substantive

Against the backdrop of these structural and procedural changes aimed at making better use of the existing program base, modest funding increases or programmatic initiatives in selected areas may then make better sense. Consistent with the principles outlined earlier, these substantive changes might include:

- ° increased funding to improve the capacity of State and local governments to develop long-range development plans;
- ° expansion of targeted business assistance funding (this is a central element of all European local development strategies; it has not been an important part of such strategies here.);
- ° increased enforcement of equal opportunity provisions in housing and employment to open additional opportunities to the minority poor;
- ° encouragement of State efforts to aid cities; and

- ° refocusing employment and training programs on permanent private sector employment.

More detail will naturally be needed on these structural, procedural, and substantive changes before final decisions can be made. What is important now is to establish the general directions to pursue and the basic principles to guide the effort.

WATSON MEMO

THE WHITE HOUSE

WASHINGTON

January 20, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON *JW.*
BRUCE KIRSCHENBAUM *BK*

SUBJECT: Urban Policy

Our brief comments on Stu's and Jim's urban policy memoranda are based upon four months of working in detail with a nine-member interagency group concerning the South Bronx, Boston, and Detroit. It is also based upon conversations with John Portman, Jim Rouse, Felix Rohatyn, other private sector representatives, and countless Governors and mayors.

Out of these meetings comes one striking and fundamental principle: All cities are not the same and therefore a singular national policy will not solve the problems unless that policy is one of providing the necessary tools and incentives for the Federal, State, and local governments to meld resources and talents with the private sectors' contributions. Essentially, it will have to be almost a city-by-city or at least State-by-State effort through some kind of strong federal coordination mechanism.

As to the memoranda, we think several points should be made:

1. Both are necessarily vague and general. That is because it is easy to say the private sector should be involved, as should the State. It is easy to say we should target business assistance and federal funding, or make programs more efficient. How to design such assistance and administer it is an entirely different problem. It is just as easy to say reorganization would be crucially beneficial- but there is not more than a half page of generalities no one could disagree with, until specifics are suggested.

2. Stu and Jim are much closer on the issues than seems apparent in the memos. We all agree on the underlying role of the private sector, the State, targeting funds, trying to link manpower to private sector, etc.
3. There are differences between urban and rural needs. The reference to a "new urban life style" based upon "cherished features of America's rural past" is unfair if not inaccurate. Not everyone wants a plot of land or to own a home, or even a small town government which could be inefficient in larger urban centers. Our historic past was quickly based upon city activity from colonial times until most recently- Philadelphia, New York, Boston- of the revolutionary period- were cities not rural towns. While homeownership goals, etc., have a strong role in cities, for a majority of their inhabitants it is just not realistic in the foreseeable future.
4. The criticism that Stu's statement "reflects all too well the competing interests" is very simple because a city is a complex place. There is no group of businessmen that we or Stu have talked with who do not raise education and crime as central to their decision on locating in cities- not just economic business incentives. We cannot separate out the issues- if we do we will not have a coordinated and effective policy. That is why our interagency group on the South Bronx, etc., includes agencies from National Parks to H.E.W.

That does not mean a policy must be all things to all people, but it must recognize that it cannot be single mindedly focused on one issue- economic development. This can and should be the underlying and pervasive theme- but not at the expense of other problems.

5. Perhaps Stu's memo does not sufficiently lay out the principles and strategies side-by-side to get a clear picture of the two basic thrusts- short term and long term problems. This is what Jim seems to get out with his reference to treating symptoms and not causes. We must do both. We cannot ignore immediate symptoms of fiscal strain, housing shortages, etc., while looking several years ahead at long term problems. The reverse is also true, that we must do the difficult and time consuming task of developing long term plans or else it will be a constant band-aid approach. Stu's consideration of "fiscal strain" is the short term and "strengthening the economic base" is the long term causes treatment.

Underlying Principles

- a. We agree with Jim that economic self-sufficiency must be a central theme to the entire policy. However, we must be careful that this is not interpreted to mean a city's problems are its own and our role is minimal. You have often stated that local governments should not have to bear the burden of welfare, medicaid, etc. The same is probably true of financing attacks on structural unemployment. However, we did not go as far as we could on welfare reform- (we could have mandated all relief go to localities first and left over funds go to State relief- we can still do this). So self-sufficiency should mean that cities should be in a position to support those services appropriate to their function in society.
- b. The other principles of Stu's and Jim's are almost identical in substance if not in semantics.

Existing Resources

We absolute agree that existing resources are substantial and must be used a lot better than they are now. However, that base of \$50 billion is:

1. Often mandated to be spent on social programs such as welfare, health, nutrition, etc. These expenditures are rarely able to be directed toward improving economic self-sufficiency.

2. Often spread so thin by recent trends away from categorical to formula block grants that targeting to areas of greatest need is extremely difficult.

The degree to which we can target education, manpower, social services, housing, health and other programs is directly proportionate to how bold you want to be in proposing changes in allocation formulae. Such issues are very difficult political battles but are sometimes worth waging. We recommend you specifically direct that you be presented all allocation options for programs in the urban policy (and outside such policy), no matter how controversial they may seem, so you will be able to make a clear choice of which battles to fight.

3. Often hamstrung by our own program regulations, bureaucratic rigidity and sometimes conflicting policies.

Structural/Organizational

We absolutely agree that the more reorganization we have the less need for coordination among agencies. But just as Stu's memorandum has been criticized for being vague, we find the reorganization emphasis without any specifics which can be evaluated by you at this time. Unless PRP is ready to propose one massive agency to handle all phases of economic development, let alone urban policy, coordination will always be necessary. We think Harrison Wellford will agree that the chances of achieving major structural reorganization, which would require legislation, is not something to hope for in the immediate future (one year).

For example, on our nine-member interagency group working on the South Bronx, Boston and Detroit, reorganization without specific legislation, would only reduce that group to a minimum of six (6).

We think you should decide at this time whether you want to send an economic development reorganization plan to the Hill with your urban policy. This decision should also address whether it should be a reorganization plan or legislation. We recommend you do send a reorganization plan with the urban policy initiative. But this will not lessen the need for a strong federal coordination effort.

The procedural changes mentioned are all being worked on. Use of a single plan is desired and we are reaching such with the three cities we are working with. But this takes time.

Consolidation of planning assistance program for State and local economic development is appropriate as long as we can agree on definition of those programs- does it include transportation, as some would claim, or housing, or manpower?

Substantive

We are at a loss as to what is "targetted business assistance". Are we willing to support double accelerated depreciation to target areas, loan guarantees, etc.? How do we define target areas- if we use labor market areas it includes 85% of the country. If we use CETA prime sponsor definition, we leave out many who are not prime sponsors.

The fundamental point we are trying to make is that these generalizations are not easy to fill out with specifics. We all agree on the general. You should not think that Stu and Jim and Jack are on different sides of the issue: the problem is that general principles sound good but the specifics of implementation are much more difficult to define.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

January 23, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze C<S

SUBJECT: Urban Policy Background, Principles and Objectives
Memorandum prepared by Pat Harris and Stu Eizenstat

This memorandum provides a very useful perspective on urban problems. I would like to make a few points, however, where my emphasis is slightly different from that of the memorandum.

1. I question whether the emphasis of your approach to urban problems should be on "comprehensiveness." The problems warranting a comprehensive approach are the basic economic problems of unemployment and poverty and the social problems of effective education, crime control, health and mental health, and racial discrimination. These comprehensive policies will have important urban impacts. The state of our economic and social knowledge is not adequate for us to be able to deliver on grand plans and promises in regard to a comprehensive urban policy.

2. I suggest that the emphasis of Federal efforts be three-fold:

- a. Steps to mitigate the fiscal distress of hard-pressed cities by short-term Federal aid, in conjunction with incentives for structural improvements in the fiscal relations between State and local governments that would alleviate the problem in the longer term.
- b. Short-term employment efforts tilted to some degree especially to distressed cities -- if these programs can be designed to have modest wage levels and hence to avoid competition with regular private sector jobs as the economy expands further.

- c. Long-term economic development assistance for cities, carefully targeted and undertaken on a manageable scale that does not seem to promise quick and massive results, and planned as a complement to employment programs.

3. The rationale for these Federal efforts, as I see it, is to help people trapped in unfavorable circumstances in central cities and preserving the cultural assets of many central cities that are actually national assets.

4. Together with coordination and improved implementation of existing programs, these measures should make a significant beginning on the geographical aspect of large and difficult problems.

5. Tradeoffs among competing objectives must be squarely faced in regard to tax policy and many aspects of Federal procurement. I doubt that the wise choice will always be determined by their urban impact. For example, business investment incentives are sufficiently important for our long-term employment and inflation goals that it would be very unwise to undermine them because of the alleged anti-urban impact of investment tax incentives. Indeed, if we run into capacity bottlenecks in the future, the resulting economic problems of renewed inflation followed by unemployment will do serious harm to cities.

ID 780106

THE WHITE HOUSE
WASHINGTON

DATE: JAN 12 78

FOR ACTION:

from out?
still working

INFO ONLY: THE VICE PRESIDENT

FRANK MOORE (LES FRANCIS)

JACK WATSON - *attached*

CHARLES SCHULTZE

*Working on
Abbott's*

HAMILTON JORDAN

JODY POWELL

JIM MCINTYRE *attached*

BUNNY MITCHELL 

FROM: RICK HUTCHESON WHITE HOUSE STAFF SECRETARY PHONE 456-7052

SUBJECT HARRIS/EIZENSTAT MEMO DATED 1/11/78 RE URBAN POLICY

RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY

BY

JAN 12 78

non

ACTION REQUESTED: THIS MEMO IS FORWARDED TO YOU FOR YOUR INFORMATION

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD; DO NOT FORWARD.

PLEASE NOTE OTHER COMMENTS BELOW:

Rick

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
722 JACKSON PLACE, N. W.
WASHINGTON, D. C. 20006

January 17, 1978

MEMORANDUM FOR BERTRAM CARP, DPS

SUBJECT: Urban Policy Memo to the President

The Council on Environmental Quality offers an edited and redrafted version of the subject memo for these reasons:

- ° The memo gives too little prominence and attention to jobs. This is a political and substantive deficiency.
- ° The memo makes no connection between jobs and improving the liveability of cities. This is an essential connection.
- ° The organization of the memo--and especially the "strategy," "principles," and "objectives" sections--is unclear; it is repetitious, hard to follow, and important points are lost.
- ° Some of the memo's points are not logically persuasive but seem to point to a conclusion opposite to the one stated.

Thank you for considering our suggested amendments. We will be glad to discuss them with you.


Malcolm F. Baldwin
Senior Staff Member

Attachment

THE WHITE HOUSE
WASHINGTON
January 25, 1978

Stu Eizenstat

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling. Please convey the President's decision to other affected parties.

Rick Hutcheson

RE: CONSUMER COOPERATIVE BANK ACT

cc: Frank Moore

*The Vice President
Jim McIntyre - Orin Kramer
gave directly*

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

STM - PLS CONVEY PRES'S
DECISION TO OTHER AFFECTED
PARTIES

ACTION	FYI	
		MONDALE
		COSTANZA
/		EIZENSTAT
		JORDAN
		LIPSHUTZ
/		MOORE
		POWELL
		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

January 24, 1978

Sta
J

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT *Stu*
ORIN KRAMER

SUBJECT: Consumer Cooperative Bank Act

Yesterday I met with Secretary Marshall, Esther Peterson, Geno Baroni, Mary King, and representatives of Treasury, Agriculture, and OMB to discuss this legislation. This memorandum summarizes their views, copies of which are attached, and presents my own recommendations. I have also attached a letter received from Congressman St. Germain today reiterating his support for an independent Bank.

I. Agency Views

Labor, HUD, Agriculture, ACTION, and the Office of Consumer Affairs have expressed the following strong views, orally and in writing.

A. Benefits of Consumer Cooperatives and Need for Assistance

They believe that consumer cooperatives are vital institutions which enhance economic democracy, broaden competition, lower prices and improve the quality of goods and services. They assert that cooperatives have been successful in rural areas in gaining acceptance (50 million user-owners), redeveloping depressed regions and stimulating local economies. They point to the success of the consumer cooperative bank concept in the farm credit and rural electrification systems. Their emergence in urban areas has allegedly been impeded by a) a general reduction in inner city lending by banks, and b) lenders' particular fears of extending credit to not-for-profit associations without a track record. They contend that anti-urban lending trends and the outflow of urban retail business create a need for a new source of credit and goods in urban areas. Since the Bank would have its greatest

impact in cities, its proponents view it as an urban development initiative which would reflect the Administration's commitment to a) local self-help efforts and b) a stabilization of the economic base of older cities. They assert that the ultimate result of the Bank would be to strengthen urban areas, provide a "community identification", and assure that capital is retained in the local community.

B. Independent Bank

I agree
They unanimously support an independent Bank. They argue that an independent Bank reverting over time to the private sector maximizes the "private" role. Substituting a loan program for a Bank would destroy the incentive to make only "good" loans; whereas an independent Bank, governed in part by cooperatives themselves from the outset, would exercise fiscal discipline so as to repay the Treasury and be free from federal control. Most important, they believe that a Bank is necessary to achieve borrowing authority and permit a higher lending level.

C. Self-Help (Soft-Loan) Fund

They unanimously recommend a soft-loan fund for higher-risk cooperatives. They contend this component is necessary to avoid excluding low-income and ethnic groups most in need of cooperatives. They believe that by using soft loans as venture capital, organizations serving low-income groups can start cooperatives which would eventually be creditworthy, thereby enabling soft loans to be converted into hard loans at market rates from the Bank. There is some support for the view that it would be acceptable to retain the soft-loan feature but reduce funding from the \$250 million in the St. Germain bill to a more modest figure, perhaps \$25 million annually.

D. Eligibility

They unanimously oppose the other two major elements of Treasury's proposal: the limitation on loans to cooperatives ineligible for assistance from existing programs, and the requirement that loan applicants demonstrate an inability to obtain credit elsewhere.

E. Conclusion

They strongly support the basic feature of the St. Germain bill. However, they all seem willing to

accept a somewhat lower budget outlay figure than in the House bill if their structural recommendations were accepted.

From the Administration's standpoint, we believe it would be easier to support a small (\$25 million/year) soft loan fund than to support a new separate entity. We share Treasury's view on restricting eligibility.

II. Analysis

Our own views are summarized below.

A. Substantive Factors

Treasury has recently completed a six-month limited study of the financing and technical assistance needs of consumer cooperatives. The results of that study are expected to be submitted to the Senate Banking Committee. Because Secretary Blumenthal's recommended compromise is based primarily on political rather than substantive considerations, his memorandum only peripherally notes the conclusion of that study: that consumer cooperatives are "unfairly excluded" from financing assistance. The findings underlying that conclusion are useful in evaluating Treasury's scaled-down bill.

The study is summarized by Treasury as follows:
"consumer cooperatives have difficulty in securing financing; present private lending practices permit some, but not many, cooperatives to obtain financing. An expansion of consumer coop 'starts' would probably require Federal financing."

Treasury rejects, as do we, the argument that conventional lenders will not extend credit because they "do not understand" non-profit institutions without a "bottom line." Treasury concludes that the failure to lend reflects the cooperatives' lack of track record and uncertain prospects: factors which inhibit commercial loans to small businesses in general. SBA is designed to reduce this "capital shortage" for small businesses. The issue is whether consumer cooperatives deserve special access to credit, such as is available to small businesses through SBA. The answer turns on whether or not consumer cooperatives serve legitimate purposes which justify removing the discrimination under existing programs.

The asserted benefits of cooperatives are described in the summary of agency views. We do not accept the argument, stated explicitly by Nader and hinted at by others, that consumer cooperatives are often "superior" to privately owned businesses. We do believe, however, that consumer cooperatives can be effective and that the Federal government should assist in meeting what Treasury and others have found to be a serious credit access problem.

If consumer cooperative credit assistance is warranted, the question is what form such financing legislation should take. Congressman St. Germain's initial proposal involved \$1.2 billion in Federal funding, which was reduced to the \$750 million in the present House bill (\$500 million for the bank over 4 years and \$250 million for the soft loan fund) in an early attempt to achieve Administration support. Treasury's proposal recommends the following modifications in the House bill:

- reduces Federal investment from \$750 million to \$225-\$300 million over a 3-year period;
- opposes a new Federal entity;
- ? -- eliminates the authority to borrow in the public markets, thereby substantially reducing lending activity and Federal budget exposure;
- eliminates the \$250 million "soft loan" fund for high-risk cooperatives;
- ? -- limits loans to cooperatives ineligible for assistance from existing Federal programs; and
- ? -- requires that loan applicants demonstrate an inability to obtain credit elsewhere.

Treasury's proposal is a more modest, targetted and fiscally conservative mechanism than the Bank envisioned in the House bill. In fact, it is not a "bank" at all in the sense that it does not borrow the funds it eventually lends. The elimination of borrowing authority, and the consequential sharp drop in lending activity, are consistent with the lack of hard data as to the precise dimensions of cooperative credit "need." Because of its initial modest objectives, Treasury's proposal will be regarded as inadequate by the Bank's outside constituencies as well as

its supporters within the Administration. We would have preferred a \$300 million Bank over three years with an additional \$25 million annual soft loan fund (total: \$375 million).

However, Treasury's is a "meaningful proposal" which will allow the Administration to negotiate on the issue and reduce the cost of the legislation finally adopted. We agree with Treasury that if we do not propose what the Administration can at least characterize as a "real compromise," we will be excluded from the negotiating process and be unable to impose any fiscal discipline. This was our experience in the House.

B. Political Factors

-- Our independent review confirms Treasury's conclusion that with the majority of the Banking Committee co-sponsoring the House bill, a "meaningful" consumer cooperative is quite likely to pass, although Senate staffers are willing to trim the size of the House version. Senator McIntyre, the Subcommittee Chairman who faces re-election this year, has indicated he will "enthusiastically" support some variant of the bill. Even Senator Tower's aide has indicated he may support it in an election year.

-- We would strongly recommend against a veto.

-- It is important to note the background behind Secretary Blumenthal's observation that continued opposition would create further difficulties with the House Banking Committee. Congressman St. Germain views this bill as his highest priority, and Congressman Reuss has expressed fervent and frequent support. The Administration's present position has seriously strained Treasury's relationships with these two Chairmen; a failure to compromise will create further difficulty and intensify our problems with urban policy, New York City financing and any other controversial legislation that must pass through the Banking Committee.

-- In addition to the consumer advocates, the bill is supported by labor and civil rights groups.

-- If the Administration's position is to change, Treasury can assert that we have shifted in light of their six-month study.

-- Most importantly, if our assessment of the Bank's prospects is correct, we believe that a low-cost compromise will permit Treasury to participate in negotiations to restrict the cost of whatever legislation is enacted.

III. Discussion of Options

OMB has presented four options:

- agree*
1. We believe that support for the House version is neither substantively sound nor politically necessary.
 - ok* 2. We would recommend against continuing the Administration's opposition to any "meaningful" bill.
 3. OMB recommends that if you want to compromise, Treasury should not present a position but testify that the Administration is "reassessing" its position, and then begin a discussion of a possible compromise proposal. We would strongly recommend against this approach for several reasons:

-- The Administration's position is untenable if it cannot offer some concrete proposal. Treasury was initially requested to testify before the Senate in November, but asked for a delay in order to complete its study and finalize its recommendations. A failure to state a firm position would make the Administration vulnerable to charges of negligence or poor planning.

-- A failure to state a specific alternative is only marginally better than a posture of opposition, and thus creates somewhat similar problems.

-- Most importantly, OMB's opposition to stating a compromise position is based on three premises. The first is that the compromise is defective because the Bank's supporters will not accept it. The second is that a compromise proposal has not been discussed with key Congressional figures, and thus it is unclear what political benefits it will achieve. The third is the implicit assumption that Treasury would be giving away too much initially, and that the Administration could negotiate a better bill by not placing a concrete proposal on the table.

We recognize that the Bank's outside constituencies will not support the Administration's "compromise,"

since it rejects several major elements of the House bill and cuts Federal outlays by more than half. The purpose is to outline a starting point for negotiations. One of the issues subject to negotiation would be whether the Bank should be lodged in an agency other than CSA.

The second point is that Treasury has not discussed its specific proposal so as not to undermine the Administration's position prior to your review. Treasury has consulted intensively, however, and we believe that members of the Banking Committee would welcome a modest Administration proposal which would permit them to support a scaled-down bill.

The final point is that the Administration cannot negotiate a better outcome by starting with a lower or indeterminate cost figure, since a lower figure would repeat the Administration's experience in the House, where we were unable to exert any impact on the form of the legislation because the Administration's position was so far outside the range of political acceptability that Congressmen who would have preferred a smaller initiative were unable to ally themselves with us.

Frank Moore concurs in our assessment of the prospects of this bill. He reports that Senator McIntyre will support it, as will most members of the Banking Committee. He says full Senate approval is likely, but that a modest compromise along the lines of the Treasury proposal may be possible with careful work.

4. We recommend the Treasury compromise.

IV. Options

1. House Version (Labor, HUD, Agriculture, ACTION, Office of Consumer Affairs) _____
2. Treasury compromise (Treasury, Domestic Policy Staff) _____
3. Instruct Treasury to indicate it is reassessing position and begin negotiations w/OMB (OMB second choice) _____
4. Pilot project at \$20 million level (OMB and CEA) _____

*I prefer it to be
a) "independent"
b) able to borrow
c) ~ \$100 mil/yr ok
d) Lower soft loan amount
e) Basic bill ok
f) Loans not restricted to poor risks*

JC



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

January 24, 1978

MEMORANDUM FOR THE PRESIDENT

SUBJECT: CONSUMER COOPERATIVE BANK ACT

The Consumer Cooperative Bank Act passed the House (by one vote) over the Administration's opposition last summer. Senate hearings will be held January 25-26. Our political judgment is that the bill is likely to pass the Senate.

In the House, the Administration proposed a \$20 million pilot project. It made substantive sense but was rejected by a 58 vote majority. Instead, the House passed a bill involving a \$500 million appropriation for equity capital (over three years) in a new independent bank, to support \$5 billion in borrowing authority by the bank. In addition, \$250 million would be appropriated to ACTION for "soft loans" to lower income cooperatives and for management and technical assistance to them.

The House bill is strongly supported by House Chairmen Reuss and St Germain and has 38 sponsors in the Senate including more than half of the Senate Banking Committee. Furthermore, Senate Banking Subcommittee Chairman McIntyre favors it. It also is strongly supported by the Cooperative League, the Consumer Federation of America and Ralph Nader. If our judgment is correct and the bill passes the Senate, a veto would be politically costly, although it could be sustained. In particular, obtaining House Banking Committee support for future Administration legislation will be more difficult.

We believe that the Administration's support for a stripped-down version of this bill is essential. Accordingly, I propose seeking to negotiate a compromise involving the lowest possible dollar cost -- at or below the \$300 million range of appropriations (or guarantee authority) over three years. This would be far below the current version before the Congress.

The advantages of such a compromise are:

1. It would end the current and unfair exclusion of consumer cooperatives (which actually are small businesses) from the \$3 billion SBA program (FY 1978).
2. It would put the Administration in support of an initiative favored by many of our friends.
3. It would do so at limited cost.
4. It would avoid a costlier and hard to veto version, passed despite our objections.

I do not favor establishing a new federal entity to manage this program, but suggest that these appropriations be made to the Community Services Agency. CSA already has a loan and technical assistance program and is deeply involved in community cooperative efforts. I also continue to oppose a separate soft loan program and separate borrowing authority. Moreover, eligible cooperatives would be required to demonstrate an inability to obtain credit elsewhere before qualifying for our proposed assistance and those eligible for existing cooperative programs would be excluded.

RECOMMENDATION: That you approve the proposed compromise and that we begin negotiations with the Senate and House Banking Committee leadership. Stu Eizenstat agrees with this recommendation. Jim McIntyre also agrees that a compromise is needed, but opposes one involving more than \$50 million. My judgment is that the latter figure will be thoroughly unacceptable.

Option One: The proposed compromise.

Approve _____ Disapprove _____

Option Two: The original \$20 million pilot project approach.

Approve _____ Disapprove _____

Other:

Mike

W. Michael Blumenthal

OMB



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MEMORANDUM FOR:

THE PRESIDENT

FROM:

JAMES T. MCINTYRE, JR.

SUBJECT:

National Consumer Cooperative Bank
Legislation

The Senate Banking Committee is holding hearings on January 25 and 26 on the "National Consumer Cooperative Bank Act" (S. 1010). Similar legislation passed the House by one vote last session with the strong support of Congressmen St. Germain and Reuss, Ralph Nader, and the consumer groups. You decided last year to oppose this bill, but supported legislation to authorize \$20M for a pilot project to make loans to consumer cooperatives to test the need for the Bank.

We understand that Ralph Nader believes that you agreed to support the Bank in your discussions with him last week. Treasury, which will represent the administration before the Senate Banking Committee, has also requested that you reconsider your position in light of apparent Senate support for the proposal. We need to know if you have changed your views on the Bank prior to the Senate hearings.

House Bill. H.R. 2777 would establish an independent "National Consumer Cooperative Bank" that would make loans to consumer cooperatives (e.g., consumer goods, housing, health, and legal co-ops) at market rates. It would be governed by a 13 member board originally controlled by Presidential appointees, but control would shift to other stockholders as the Federal equity interest declines. The Bank would receive \$500 million of Federal equity funding with \$100 million authorized in 1978. It could also raise equity financing from members and issue debt (not to exceed 10 times its equity capital), which could be purchased by the Secretary of the Treasury or private interests. The Bank would be required to buy out the Federal equity interest beginning in 1990 and to pay dividends on the Federal stock, if the Bank were profitable.

The bill would also establish an Office of Consumer Cooperatives in ACTION to administer a \$250 million Self-Help Development Fund. This office would provide capital investment on interest subsidies for high risk, low income cooperatives as well as provide technical assistance (e.g., financial analyses, market surveys, and management training).

Supporters of the Bank have argued that consumer cooperatives, which promote many national economic and social objectives, are currently unable to obtain adequate credit from existing financial institutions and lack the technical expertise needed to launch successful enterprises. Therefore, they conclude that the Federal Government should assist in providing such assistance.

The administration position has been that there is insufficient evidence available on the claimed inability of cooperatives to obtain credit from existing financial institutions to justify the establishment of a new government-sponsored bank and this large Federal expenditure (over \$5 billion of Federal funds could be outlayed over 5 years).

Treasury congressional liaison staff believe that a modified consumer co-op bank bill will pass the Congress in this session. They note that almost 40% of the membership of each House, including eight of the 15 members of the Senate Banking Committee, are co-sponsors of this bill. Discussions with Senate aides indicate that many Senators would be inclined to support this "pro-consumer" legislation in an election year, particularly if the funding levels were reduced. Treasury points out that administration support of a co-op financing proposal would receive favorable reactions from consumer interest groups and House supporters of the "Bank." In light of this assessment, Treasury has requested our consideration of a compromise proposal.

The Treasury compromise would create a new co-op loan program, funded at \$225-300 million over the first three years, in the Community Services Administration (CSA). CSA would also be authorized to provide technical assistance to loan recipients at a cost of about \$20 million annually. Treasury selected CSA because it has a small existing business loan program, provides technical assistance, and participates in community development activity. Treasury rejected proposals to create an independent bank as inconsistent with your reorganization objections, and concluded that placing the program in Commerce or SBA would be totally unacceptable to interest groups and congressional advocates because of the perceived bias of these agencies against co-ops (both agencies have in fact opposed the co-op bank bill).

Treasury staff concede that available evidence, including their recent, limited survey of cooperatives and banks, does not strongly indicate that lenders are discriminating against co-ops, as supporters of the bill allege. Treasury notes, however, that their data cannot conclusively demonstrate that there is no anti-cooperative financing bias, and that co-ops do face many of the same financing problems as small businesses.

OMB staff are less convinced about congressional passage. There are no strong Senate supporters of the "Bank" (like St. Germain in the House). There is evidence that business interest groups, which did not lobby heavily against the bill in the House, will strongly oppose the bill in the Senate. Numbers of congressional sponsors, though significant, have not historically proved to be a good indication of congressional action. More importantly, we continue to believe that adequate justification has not been provided for this large new expenditure of Federal funds. Without strong evidence that the private sector or other Federal programs are not providing adequate financing to viable co-ops, expenditures of hundreds of millions or billions of dollars are not warranted.

OMB therefore recommends that the administration continue to support legislation authorizing \$20M for a pilot project to assess the needs of cooperatives and to oppose broader financing programs at this time.

If you have decided to support some form of a "compromise" proposal, we have some reservations about the substance and legislative strategy of the Treasury proposal. First, we believe that few "Bank" supporters would view the Treasury proposal as a compromise: instead of creating an independent "Bank" corporation, it merely adds another Federal program in an existing agency. This eliminates many of the special benefits of the original "Bank" bill. Secondly, reorganization proposals are under consideration that would move the relatively small community development functions of CSA to another agency. These proposals, along with concerns that CSA administration would inevitably lead to massive amounts of soft (i.e., bad) loans, argue against placing the program in CSA.

Finally, Treasury has not discussed the compromise proposal with key Congressmen or their staffs. They have negotiated no congressional concessions on this bill or other legislation if the administration changes its position. Treasury staff admit that their proposal may be totally unacceptable to "Bank" supporters. The compromise could alienate present supporters of the administration's current position and reduce effective opposition to the \$5 billion House bill.

If you wish to compromise on this issue, OMB would suggest that Treasury testify next week that the administration is reassessing its position in light of both the recent Treasury survey of cooperatives and possible urban financing initiatives. Treasury should immediately begin to discuss with congressional staff possible compromise proposals, including an agreement on a funding cap and an organizational structure for a "Bank." Alternatives for incorporating this proposal into possible urban financing initiatives should also be explored.

Decision

Continue to support pilot project proposal at the \$20M level (OMB) _____

Accept Treasury compromise (Treasury) _____

Instruct Treasury, working with OMB, to develop the outline of a more acceptable compromise proposal. Then have Treasury secure congressional commitment for the compromise before changing the Administration position _____

Support House bill _____

PETERSON

THE WHITE HOUSE

WASHINGTON

January 23, 1978

MEMORANDUM TO:

THE PRESIDENT

FROM:

ESTHER PETERSON

SUBJECT:

Cooperative Bank Bill

I have long been an advocate of consumer cooperatives and urge you to support the House-passed St Germain bill. Your April 6 Consumer Message to Congress emphasized the dual themes of self help and citizen involvement, and a strong Cooperative Bank Bill is a natural extension of these policies.

Politically, consumer and citizen groups are united in their support of the St Germain bill. This support stems from the deeply-held belief that consumer coops can serve as meaningful yardsticks for our competitive system and fight inflation by stimulating competition in areas, such as the inner city, where little now exists. They specifically support the St Germain bill because it offers the prospect that a significant number of consumer cooperatives will be established and that those established will have an increased likelihood of success. This is so for several reasons.

First, the St Germain bill would create an independent bank rather than a loan program as envisioned in the Treasury bill. The independent bank concept offers the possibility of a self-sustained funding and assistance mechanism available for future cooperatives operated and funded by consumer cooperatives themselves. The loan program, on the other hand, envisions a short term program (three years) without any possibility of institutionalizing outside of the Federal Government a mechanism for continuing financial assistance to cooperatives. Since a loan program will take at least one year to establish, the Treasury proposal envisions an operating program of about two years--hardly sufficient time to give the program a chance to succeed.

Second, the St Germain bill would make available to consumer cooperatives a higher funding level than the Treasury proposal. Not only would the federal outlay for the Bank be greater in the St Germain bill (\$500 million over four years as opposed to \$225-\$300 million over three years), but the St Germain bill also authorizes the Bank to increase its lending authority through borrowing from the public markets. No such authority is contained in the Treasury proposal. The appropriate level of

funding is, of course, dependent upon what types of coops are eligible to seek loans. If, however, the program is to have national impact, the funding level needs to be high, coupled with a Bank's authority to borrow from public markets.

Third, the St Germain bill establishes a "Self Help Development Fund" from which "soft loans"--loans to those who could not qualify for conventional loans--can be made. These "soft loans" would be accompanied by technical assistance to borrowers to increase the likelihood that their enterprises will be successful. If cooperatives are to succeed in attracting widespread community involvement and those of various ethnic, economic, and educational backgrounds, then some reasonable risks must be taken in making loans and those risks can be reduced by offering technical assistance.

The Treasury proposal would require cooperatives to demonstrate that they have been turned down for a loan by private lenders before seeking a federal loan. Such a requirement will result in lesser risks going to private financial institutions for loans while higher risk borrowers will seek federal loans. This "cream skimming" will prejudice any objective attempt to evaluate the viability of consumer cooperatives as Treasury has proposed to do in its program.

Contrary to the impression created in the Treasury proposal, federal assistance to cooperatives has been tested and has been found to work. With an infusion of federal funds through a loan program, agricultural coops and credit unions have had a high rate of success. There is no reason to believe that consumer coops will not be equally as successful.

DD 780304

T H E W H I T E H O U S E

WASHINGTON

DATE: JAN 23 78

FOR ACTION: STU EIZENSTAT

✓JACK WATSON

Schulke

✓FRANK MOORE (LES FRANCIS)

✓ESTHER PETERSON

INFO ONLY: ✓THE VICE PRESIDENT

✓MIDGE COSTANZA

✓HAMILTON JORDAN

FROM: RICK HUTCHESON WHITE HOUSE STAFF SECRETARY PHONE 456-7052

SUBJECT MCINTYRE MEMO UNDATED RE NATIONAL CONSUMER COOPERATIVE BANK
LEGISLATION

RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY

BY 1200 PM TUESDAY ~~JAN 24 78~~

LOTS Mon to SE

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD; DO NOT FORWARD.

PLEASE NOTE OTHER COMMENTS BELOW:

Rick + Bill -

Only memo not
attached is McIntyre.

Treasury says it needs
decision by noon - 1:00.

Submission delayed
pending receipt of Mike's
memo, which arrived
approx. 7:00 A.M.

-Orin



OFFICE OF
THE DIRECTOR

ACTION

WASHINGTON, D.C. 20525

January 23, 1978

The President
The White House

Dear Mr. President:

Perhaps above all other goals, this Administration has committed itself to establishing the highest standards of efficiency in government. You strongly reiterated this theme in your State of the Union message, and it is my understanding it is a guiding principle behind the extensive reorganization effort. Bureaucracy can be reduced, both in terms of needless requirements and redundant programs and agencies.

Yet, you are no less strongly identified with a commitment to effectiveness in government. Time and again you have stated your belief that what the Federal Government does, it should do well. When a federal agency undertakes a program effort, it should do the best job possible with the resources allotted to that task.

Coupled with both these commitments is your belief that the private sector, not government, is best prepared to handle the vast majority of economic and social tasks in our society. In such areas as federal regulation of certain industries, you have expressed the desire to phase out government control so that the private sector through market competition can better achieve the public good.

As members of your Administration, we share these views and are working to promote them in our different areas of responsibility. We also feel strongly that legislation creating new government programs should reflect these interrelated criteria: government efficiency, government effectiveness, maximum reliance on the private sector to achieve our society's goals.

In considering the National Consumer Cooperative Bank Bill, we have kept these principles in mind. The bill represents an attempt to achieve a legitimate public goal: the provision of adequate financing and technical assistance to a vital set of institutions in our economy, the consumer cooperatives.

GENERAL

We believe that in general, the bill as passed by the House addresses itself to our concerns for efficiency, effectiveness, and private sector responsibility. In particular, we think that the format of an independent bank reverting over time to the private sector represents the approach most consistent with Administration policy and goals. We also think that our effort to help consumers through financing of co-operatives should not exclude the poor and elderly of our cities and rural areas. Accordingly, we support the inclusion of a small soft loan and technical assistance program as included in the Bill passed by the House.

You have also stated that the Administration wants to assist consumer cooperatives to obtain adequate financing and technical assistance. Our problem now is to determine the most appropriate vehicle. We need an approach which is both lean and effective -- a program which achieves its goals, meets the highest standards of administration, yet creates the least possible additional bureaucracy. Our solution should also draw upon the resources of the private sector -- in this case, the consumer cooperatives themselves -- in order to limit the role of government to only those things which private organizations cannot do for themselves.

BANK VS. LOAN PROGRAM

To meet the basic need of financing for consumer cooperatives, we have two options available: an independent Bank, supported in its early stages by federal investment funds; or a loan and loan guarantee program, administered by a federal agency.

Either option creates some new bureaucracy. By giving responsibility for a loan program to an existing agency, we are requiring that the agency add more staff, additional offices and a new kind of expertise. By creating an independent

Bank we do the same -- but we also provide that the associated responsibility and the cost immediately begin to flow out of the public sector and into the private.

By creating a loan program, we provide no incentive for the cooperatives themselves to take charge of their own needs. Instead, we are spawning one more government bureau, with the usual institutional goals of survival and growth.

Worse, by substituting a loan program for an independent bank, we are destroying any incentive for its administrators to hold down costs and make good loans. Like it or not, we all know that the worst thing which can happen to a government bureaucrat is to have money left over at the end of the year. A loan office in any federal agency will soon take on the typical behavior of any government office. The annual budget will have to be spent this year in order to justify the same or greater funding next year. Loan requests will not receive rigorous scrutiny. Questionable loans will be made in order to "get the money out by September 30."

On the other hand, an independent Bank, governed in part by the cooperatives themselves from the very outset, will be under tremendous pressure to exercise fiscal responsibility. The bank's members, the consumer cooperatives, will have the incentive to run a tight ship because the more successful their loan record, the sooner they can repay the Treasury and be free from federal control.

OBJECTIONS TO NEW TREASURY PROPOSAL

In addition to these general objections, there are some particular problems with the loan program alternative outlined by Treasury.

1. Restricted Eligibility

Treasury suggests that only certain kinds of consumer cooperatives should be allowed to borrow from the bank. In particular, it would exclude health care cooperatives.

Testimony before the House Committee explained in detail how the Health Maintenance Organization Act of 1973, on which Treasury would have cooperatives rely for health care project funding, is inadequate to the task.

Moreover, this exclusion ignores the fact that over a period of time the same cooperative, representing the same membership, will add various services in succession. This piggybacking is very desirable from both cost and convenience viewpoints, and should be encouraged, not be proscribed.

Credit unions are not included in the House version. This exclusion is not an issue.

2. Turn-Down Test

This argument suggests that it is better for a cooperative to receive financing from conventional lenders than from the bank. However, this would mean that the safest loans would be skimmed off the top, leaving the bank with a less creditworthy portfolio. It also would force the "best-risk" cooperatives to borrow at higher external rates than "second-best-risk" cooperatives borrowing from the bank. Both these developments would be undesirable, and show the illogic of a "means test" for eligible cooperatives.

3. One Big Fund

The Treasury alternative also lumps together the "soft" loan and technical assistance program with the "hard" loan facility in a single loan fund. Treasury admits that this "would have the effect of reducing the creditworthiness of the loan portfolio."

This is incremental policy making at its very worst. By combining the two types of loans in one facility, Treasury would destroy the ability of creditworthy consumer cooperatives to establish a good track

record. At the same time, it require new cooperatives in risky markets to compete for funds against established cooperatives with proven market potential. Although Assistant Secretary Altman suggests that this approach is a way to learn about a bank's potential without creating a bank immediately, we would learn nothing at all about the viability of a bank for credit-worthy cooperatives by pursuing this option. The results would be hopelessly muddled.

In summary, we feel that the initial disadvantages of additional bureaucracy are equal, whether we create a new loan program or an independent bank. The bank option, however, entails strong incentives to hold down government bureaucracy from the beginning, and eventually to remove this bureaucracy from the government sector altogether.

Considering the high priority of your Administration to limiting the scope of government and reducing unnecessary bureaucratic structures, we strongly urge endorsement of the independent bank model, as provided by the House bill.

SELF-HELP DEVELOPMENT

In addition, we support the inclusion of Titles II, III and IV, which create a small "soft" loan and technical assistance program in the ACTION Agency. The amount of money earmarked for this program in the first year is not great, about \$16 million. The potential benefits to the poor and elderly are far greater. Without this program, the groups most in need of the benefits of consumer cooperatives will be excluded from participation. By using "soft" loans as venture capital, and with expert help from ACTION, organizations serving low-income groups can be helped to start cooperatives which in time can be fully creditworthy. At this point these outstanding "soft" loans can be turned into "hard" obligations by rolling them over into normal loans from the bank. In this way the size of the "soft" loan revolving fund can be kept very small. Also, by limiting the number of cooperatives receiving technical assistance at any one time, the cost of the program will be minimal.

We think that to oppose a small "soft" loan and technical assistance program for cooperatives serving low-income people is inconsistent with the Administration's commitment to bring these people into the economic mainstream. We believe that this program is cost-effective, and should be included in the final version of the bill.

I believe that ACTION would be able to administer the Self-Help Fund and the technical assistance program. Both programs require administration by an agency which is responsive to those most in need. ACTION's programs exemplify such responsiveness. Both VISTA and Peace Corps have had experience with developing cooperatives. The atmosphere, commitment, and network for the sound administration of these two important programs can be found in ACTION now; we can recruit the know-how.

FUNDING LEVEL

The final issue of general concern is the level at which the National Consumer Cooperative Bank Bill is funded. Treasury has argued that the need for a \$500 million total appropriation, leveraged ten times by the sale of securities, has not been established. They suggest a paring down of the funding level to a maximum of \$300 million over 3 years.

We do not pretend to know what the aggregate unmet need for capital of the consumer cooperatives really amounts to. Although we feel that Treasury's estimate of need has no more credibility than that of the bill's sponsors, we think that of the major issues, funding is the one on which the Administration ought to seek negotiations with the bill's Senate supporters. If the cost of the bill is too high, given our other priorities, then we should seek to reduce it.

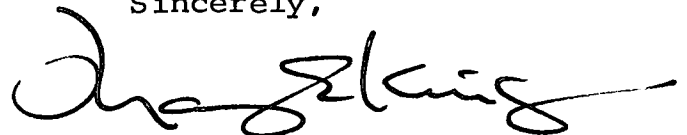
However, we do not believe that substituting a loan program for an independent bank will make the bill any less expensive, and it will certainly make it less cost-effective. Moreover, the total cost of the valuable "soft" loan and technical assistance program can be reduced from \$250 million without destroying this vital link between low-income groups and the bank's loan facility.

While the Bank's lending can be reduced somewhat from the present level of \$500 million over 5 years, too small a bank will not be viable. Severely reduced capitalization would cripple the bank's chances of success. Private investors would very likely reject debt issues of a bank too thinly capitalized. Wall Street's lack of confidence in the financial stability of the bank would delay the bank's ability to repay the government's investment in stock and thus prolong the period in which the bank would not be free from government obligations. Investors who do participate in the bank's private capital activities would probably force the bank to pay punitively high rates of interest on its borrowings.

I have received the advice of several individuals who know the private capital market. They have advised me that they share these views on the reduced capitalization issue, the potential for punitive rates of interest, and the inappropriateness of placing the Self-Help Fund and a technical assistance program within an under-capitalized bank. These individuals include: Dr. Robert Rennie, Chief Investment Officer of Nationwide Insurance, who is responsible for overseeing Nationwide's three billion dollars in investments and mutual funds; Mr. Ed Jaenke, former Governor of the Farm Credit System; and Mr. Ed Horne, Chairman of the Home Loan Bank Board from 1965 - 1968. They all agree that an initial capitalization level of \$100 million would be necessary to convince Wall Street that the bank is a serious financial institution.

In conclusion, we urge reasonable funding levels for all three major purposes: "hard" loan facility, "soft" loan facility, and technical assistance.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Mary E. King', with a long, sweeping horizontal stroke extending to the right.

Mary E. King
Acting Director

FERNAND J. ST GERMAIN, R.I., CHAIRMAN

FRANK ANNUNZIO, ILL.
JAMES M. HANLEY, N.Y.
CARROLL HUBBARD, JR., KY.
JERRY M. PATTERSON, CALIF.
BUTLER DERRICK, S.C.
THOMAS L. ASHLEY, OHIO
NORMAN E. D'AMOURS, N.H.
JOHN J. LAFALCE, N.Y.
CLIFFORD ALLEN, TENN.
JOHN J. CAVANAUGH, NEBR.
MARY ROSE OAKAR, OHIO
JIM MATTOX, TEX.

U.S. HOUSE OF REPRESENTATIVES

SUBCOMMITTEE ON FINANCIAL INSTITUTIONS
SUPERVISION, REGULATION AND INSURANCE

OF THE
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
NINETY-FIFTH CONGRESS

JOHN H. ROUSSELOT, CALIF.
CHALMERS P. WYLIE, OHIO
GARRY BROWN, MICH.
HENRY J. HYDE, ILL.
GEORGE HANSEN, IDAHO
JAMES A. S. LEACH, IOWA

WASHINGTON, D.C. 20515

January 24, 1978

The President
The White House
Washington, D. C.

My Dear Mr. President:

It is my understanding that your Administration is now in the final hours of a decision-making process on legislation to create a National Consumer Cooperative Bank. I am extremely hopeful that the creation of a Consumer Cooperative Bank and a Self-Help Development Fund with technical assistance capability will have the ultimate blessing of the Administration and that this program can go forward for the American consumer as a joint effort by President Carter and a Democratic Congress.

I have been very pleased by the published reports of your indications of support for a lending institution for the consumer cooperatives. I remain deeply appreciative of your willingness to talk to me about this legislation last June and the openness with which you have approached the decision-making. I realize that you are beset with a myriad of domestic and international problems and we fully realize that you have a limited amount of time to devote to a detailed discussion of the issues involved in providing seed money for consumer cooperatives.

But, Mr. President, I am convinced that this will become one of the key programs for the American consumer and that it will be one of the landmark pieces of legislation to pass in your Administration.

I want to urge you in the strongest possible terms to support the basic thrust of the legislation -- the creation of an independent Bank and Self-Help Development Fund. I urge that this not become just another Federal loan and grant program hidden away in some obscure bureaucracy.

Mr. President, I want to see the establishment of a lending institution which will have the capability of tapping the private market for funds and that will have the ability to phase itself out of the Federal bureaucracy and become a private institution. This approach provides the maximum focus and direction. It provides the maximum safeguards against waste and corruption. It provides for the maximum participation by the private sector -- something which you so eloquently demanded in your State of the Union Message to the Congress last Thursday night.

A loan program buried in the existing bureaucracy will provide none of this. It will do little to promote the ultimate goal of this legislation to open private financial markets to consumer cooperative enterprises.

As you know better than I from your experience in Georgia, cooperatives are successful economic entities which can and have provided tremendous benefits for this nation. We are not talking about some pie-in-the-sky scheme, but something which has been proven over and over again in the successes of the Farm Credit System, rural electric and telephone cooperatives.

All we are asking in this legislation is for a partnership between the Federal Government and its people who are willing to roll up their sleeves, form their own cooperative enterprises and make them work. All this legislation asks is temporary seed money which will be repaid in full with interest with the cooperatives eventually moving into the private market.

Mr. President, the House-passed bill is the result of compromises to reach objections raised to the original bill by your Treasury Department. The House-passed bill was modified to make it lean and tight and I am convinced that it is a viable and reasonable approach to an obvious need. I think it should have the Administration's support.

I am very pleased about levels of funding which I understand the Administration is willing to support through the first three years of the program. It is our analysis that at least \$100 million annually should be allocated to the bank in its early years so that it can move successfully into the private market. It is essential that the Bank be placed on a proper footing and that it not be encumbered with restrictions which might damage its acceptability in the market place. After all, it is the goal of all of us to see that this bank move from the Federal Government to the private sector as rapidly as possible and this can be done only if it is allowed to operate as nearly as possible by the ground rules of its private counterparts. Any requirement for a "lender of last resort certification" or other similar pauper oaths would do nothing to enhance the private market capabilities of the institution.

January 24, 1978

Mr. President, the National Consumer Cooperative Bank and the equally important Self-Help Development Fund are legislative efforts which all of us can be proud of and I desperately want to see this package become law, but I am just as anxious to see this become part of the great accomplishments of the Carter Administration.

Mr. President, once again, thank you for all the time you have taken on this issue and for the courtesies you have extended to me.

Sincerely,



Fernand J. St Germain
Chairman

FJStG:mLr


THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

5:30 PM

Q

MEMORANDUM TO THE PRESIDENT

FROM: LONDON BUTLER 
DATE: JANUARY 24, 1978
SUBJECT: INFORMAL RECEPTION FOR MACHINISTS

Background

The informal reception at the White House on January 25 is for the Executive Council and National Planning Committee of the International Association of Machinists and Aerospace Workers. There will be about 110 persons present.

The Machinists have about 960,000 members; they are the third largest union in the AFL-CIO. Their members are in air transport, automotive repair, aerospace, and a variety of other industries. They are the largest union in California, and are also strong in Illinois, New York, Pennsylvania, Ohio and Texas. The Machinists were members of the "Labor Coalition" which was active in the 1976 primaries.

Bill Winpisinger, the President of the Machinists, is one of the more liberal union leaders in the country. He is smart and outspoken. His views would coincide closely with those of Doug Fraser of the UAW.

Winpisinger has been a critic of Mr. Meany, and called for Mr. Meany's resignation at the AFL-CIO Convention in December. Winpisinger believes the AFL-CIO must have younger leadership if it is to improve its appeal to workers.

The Machinists have generally supported your policies -- including the B-1 decision, which affected many of their members.

I suggest that you walk from the Oval Office to the reception with Winpisinger and Hamilton.

Talking Points

You need only to make 4-5 minutes of informal remarks. You should:

- Welcome the group to the White House
- Mention that you are looking forward to working with them on Labor Law Reform and the Humphrey-Hawkins bill.
- Ask for their help on your 1978 agenda: energy, the Panama Canal Treaties, SALT, urban policy, welfare reform, national health insurance, etc.
- Acknowledge their help in the 1976 general election and ask for their help in the 1978 off-year elections.

THE PRESIDENT HAS SEEN.

1:30 PM

THE WHITE HOUSE

WASHINGTON

January 17, 1978

MEETING WITH CHAIRMAN CARL D. PERKINS (D-KY. 7)

Wednesday, January 25, 1978

1:30 P.M. (15 minutes)

The Oval Office

From: Frank Moore *F.M./BR*

I. PURPOSE

To discuss the legislative agenda and priorities for the coming year.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

Background: Rep. Perkins is Chairman of the Education and Labor Committee and a member of the Special Welfare Reform Subcommittee. He raises horses in Kentucky and operates two farms in his district. Chairman Perkins is facing potentially the toughest challenge to his seat in a decade, which is being financed by coal operators who have opposed his position on mine health and safety and strip mining. He is probably the most vocal supporter of black lung compensation in Congress. Prior to working for Rep. Frank Thompson, Bill Cable worked for Chairman Perkins for 10 years.

Participants: The President, Chairman Carl Perkins, and Frank Moore.

Press Plan: White House photographer.

III. TALKING POINTS

1. Chairman Perkins is interested in establishing a direct working relationship with you and Secretary Califano, especially during the reauthorization this year of the Elementary and Secondary Education Act (ESEA). He remembers well the successful close communication maintained between President Johnson and the Committee in 1965 when the Act was written.

Chairman Perkins is interested in the following education programs:

- expanding support for Title I of the Elementary and Secondary Education Act, aid to disadvantaged children. (We have added \$664 million in the FY 79 budget.)
- continuing the basic Title I authorization (Part A, aid to local school districts) without major amendment in 1978. (Our program does just that.)
- Chairman Perkins wants to minimize controversy over Impact Aid reform. (Our legislative reforms are gradual and flexible enough for negotiation; our budget allows gradual reduction -- \$735 million for FY 79; FY 78 was \$770 million.)

2. You should ask Chairman Perkins to:

- work with us to draft a consensus Administration-Committee bill on ESEA and introduce it for us. He would probably be interested in some form of appropriate publicity with the President on this.
- support our Impact Aid proposal.
- oppose tuition tax credit legislation.

3. Welfare Reform

- Thank him for his crucial support in the fight over cashing out food stamps. He made the crucial motion to cash out food stamps. He made that motion in spite of intense lobbying against our position by all of organized labor and in the face of approximately 15,000 striking mine workers in his district having just received food stamps. Before Perkins took the lead on this issue, our head count showed us losing.
- Reps. Perkins and Gus Hawkins are the keys to the jobs portion of the Welfare Reform bill. Rep. Hawkins has continually wanted to separate the jobs portion of the Welfare Reform bill from the cash assistance portion and even tried to persuade Chairman Corman not to consider the jobs part of the bill. When the bill gets to the Education and Labor Committee, we will need Perkins' leadership to prevent the separation of the jobs portion from the cash assistance part of the bill. Perkins needs

to know what the Administration will do on the CETA re-authorization in order to help. We, also, need Perkins' leadership to stop that Committee from overturning the food stamp cash out decision, which is a distinct possibility given the position of the AFL-CIO and the UAW on that issue.

4. You should communicate your decision on a cabinet-level Department of Education and ask for his advice on how it should be shaped.

1:30 PM

THE WHITE HOUSE
WASHINGTON

January 25, 1978

MEMORANDUM FOR

THE PRESIDENT

FROM:

FRANK MOORE *F.M./BR*

SUBJECT:

Addendum to the briefing paper for your meeting with:

Rep. Carl Perkins (D-7-KY)
Wednesday, January 25, 1978
1:30 p.m. (15 minutes)
The Oval Office

TALKING POINTS

1. Black Lung Bill

Yesterday, the House passed and cleared for your signature a bill that provides a 50¢/ton tax on deep-mined coal and a 25¢/ton tax on surface-mined coal; the proceeds of which are to be used to finance the Black Lung Benefits bill that is still in conference. Department of Labor and OMB current estimates are that the funds derived from this tax will not fully pay for the benefits provided with the substantive bill. You should raise this issue with Perkins and recognize the major problem is with Senator Long's unwillingness to increase the tax on surface-mined coal, but ask for his cooperation in seeing that we don't have a major budgetary impact created from the disparity between increased benefits without having the tax to pay for them.

THE WHITE HOUSE
WASHINGTON

January 25, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT *Stu*
FRANK MOORE

SUBJECT: Welfare Reform Wage Issue and
the Meeting with Chairman Perkins

We have reached a deadlock in negotiations with Representative Hawkins over the wage to be paid in the jobs side of our welfare reform, and hope that you will ask Mr. Perkins (Chairman of the full Education and Labor Committee on which Hawkins serves) to help.

The situation is this:

(1) The Administration's original position on wages has been as follows: base wages should be at the minimum wage (\$7,000 in 1981), or at up to 10% above the minimum wage in states which supplement the cash welfare benefit. In any community 15% of the workers could be paid above the base wage (up to 125%) as "work leaders".

(2) Chairman Hawkins, originally favored prevailing wages for the welfare jobs -- as are now paid under the CETA program. He has moved a long way toward the Administration position, now recognizing that lower wages are necessary if the program is to serve the hard-core unemployed.

Hawkins proposed -- and secured agreement from Perkins, Corman and the AFL-CIO for a modification of the Administration's position that would allow wages to vary depending on local wage rate variations, so long as the national average remains the same as in our bill -- \$7700 in 1981. Communities with high local wage rates would be allowed to pay more than in our bill while those in rural and other communities with low wage rates would be required to pay less than in our bill.

(3) With your concurrence we accepted the basic principle of the Hawkins proposal but with the following difference. We insisted that the maximum wage paid anyone under the program not exceed \$9,600 (135% of the minimum wage). Stu, Charlie and Ray Marshall made the offer yesterday morning to Hawkins, Perkins and Corman. They seemed receptive, but Hawkins said the idea had to be checked out with AFL-CIO. The Union insisted that the maximum wage be free to rise with local wage levels. At an afternoon meeting yesterday, at which the AFL-CIO joined the group, we tentatively offered (1) to allow the maximum wage to rise to \$10,500, but (2) to impose a 15% limit on the number of persons in any community paid between the average and the maximum. That offer was also refused by the AFL-CIO, and therefore by Hawkins.

Time to work on the welfare bill before the Ways and Means Committee takes up the tax package is very limited.

(1) You understand that Stu, Charlie and Ray Marshall have been attempting to work out the difficult wage issue with the Welfare Reform Committee members. You appreciate that Hawkins has come to recognize the need for low wages. And that you are glad that we were able to offer a compromise on the issue of wage flexibility that will produce a differential between rural and urban areas within a state and a differential between states with differing wage structures.

(2) We cannot go much above "around \$10,000" for maximum wages and still be able to defend the program. Wages any higher will make the program attractive to many workers who have private sector jobs at lower wages, and the public may reject the program seen as paying high wages to those on welfare.

(3) We are continuing the 725,000 CETA prevailing wage jobs -- a program that helps union members, and provides jobs during times of high levels of national unemployment.

(4) We need Perkins' help in resolving this issue so that the great goal of enacting a Better Jobs and Income program can go forward in this Congress.

THE WHITE HOUSE
WASHINGTON

Mr. President:

Landon Butler has no comment.

Rick (wds)

THE WHITE HOUSE

WASHINGTON

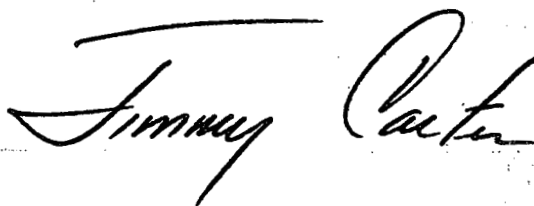
January 25, 1978

To President George Meany

Thank you for your letter of January 12 expressing concern for the welfare of the former Nepalese Prime Minister, B. P. Koirala. This case had been brought to my attention by J. P. Narayan while I was in India, and I instructed Ambassador Heck in Kathmandu to express my concern in the matter. Ambassador Heck was reassured by the King of Nepal that Mr. Koirala's health is in no serious jeopardy and that his most recent illness was minor and not related to his past history. He also stated that Mr. Koirala was being examined by a panel of Nepalese doctors and would be permitted to seek further medical attention abroad if necessary.

We continue to stay in touch with the Government of Nepal on this subject and make clear our hope that a political arrangement can be reached so that Mr. Koirala can play an important role in the development of Nepal. As you know, the Nepalese assert that they have evidence to bring Mr. Koirala to trial and that his case is being handled in accordance with Nepalese law. In such circumstances there is little that we can do except through quiet diplomacy -- and I believe that the prospects for this are favorable. We have no evidence, by the way, that Mr. Koirala is being physically mistreated.

Sincerely,



Mr. George Meany
President
AFL-CIO
815 Sixteenth Street, N.W.
Washington, D. C. 20006

THE WHITE HOUSE
WASHINGTON

January 17, 1978

Tom,

Please prepare a quick response for the President to the attached letter from George Meany. By the way, the President's letter should begin with this salutation:
To President George Meany.

Rick Inderfurth

AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

EXECUTIVE COUNCIL
GEORGE MEANY

PRESIDENT

LANE KIRKLAND

SECRETARY-TREASURER

PAUL HALL
MATTHEW GUINAN
FREDERICK O'NEAL
GEORGE HARDY
WILLIAM SIDELL
ALBERT SHANKER
SOL C. CHAIKIN
ANGELO FOSCO
J. C. TURNER
KENNETH T. BLAYLOCK
HARRY R. POOLE

JOHN M. LYONS
PETER BOMMARITO
JERRY WURF
AL H. CHESSE
MURRAY H. FINLEY
C. L. DELLUMS
HAL C. DAVIS
CHARLES H. PILLARD
LLOYD MCBRIDE
EMMET ANDREWS
WM. W. WINPISINGER

A. F. GROSPIRON
THOMAS W. GLEASON
S. FRANK RAFTERY
MARTIN J. WARD
JOSEPH P. TONELLI
GLENN E. WATTS
EDWARD T. HANLEY
WILLIAM H. MCLENNAN
DAVID J. FITZMAURICE
ALVIN E. HEAPS
WILLIAM H. WYNN



815 SIXTEENTH STREET, N.W.
WASHINGTON, D.C. 20006

(202) 637-8000

*3619
a advise
J*

THE PRESIDENT HAS SEEN.

January 12, 1978

The President
The White House
Washington, D.C.

Dear Mr. President

It has come to my attention that the health of former Prime Minister of Nepal, Mr. Bisheshwar Prasad Koirala, has rapidly deteriorated and that his life may be in jeopardy. This follows his re-arrest in Katmandu last November upon return from the United States following medical treatment for throat cancer.

Mr. Koirala's belief in freedom and democracy and his life-long commitment to those goals are well known throughout the world. In this, his time of need, it is important that the forces of justice and the defenders of human dignity come to his side.

I would hope that the Government of the United States makes clear to the Government of Nepal the interests of American citizens in Mr. Koirala's well-being.

Sincerely,

George Meany

President

ID 780339

T H E W H I T E H O U S E

WASHINGTON

DATE: JAN 24 78

FOR ACTION: LONDON BUTLER

INFO ONLY:

FROM: RICK HUTCHESON WHITE HOUSE STAFF SECRETARY PHONE 456-7052

SUBJECT LIMITED OFFICIAL USE - BRZEZINSKI MEMO DATED 1/24/78 RE MEANY
LETTER ON BP KOIRALA

RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY
BY 1200 PM THURSDAY JAN 26 78

ACTION REQUESTED:

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD; DO NOT FORWARD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE
WASHINGTON

/	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
/	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
/	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

ID 780339

THE WHITE HOUSE
WASHINGTON

DATE: JAN 24 78

FOR ACTION: LANDON BUTLER

INFO ONLY:

FROM: RICK HUTCHESON WHITE HOUSE STAFF SECRETARY PHONE 456-7052

SUBJECT LIMITED OFFICIAL USE - BRZEZINSKI MEMO DATED 1/24/78 RE MEANY
LETTER ON BP KOIRALA

RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY
BY 1200 PM THURSDAY JAN 26 78

ACTION REQUESTED:

STAFF RESPONSE: () I CONCUR. ☒ NO COMMENT. () HOLD; DO NOT FORWARD.

PLEASE NOTE OTHER COMMENTS BELOW:



City of Cleveland

DENNIS J. KUCINICH
MAYOR

January 24, 1978

President Jimmy Carter
The White House
Washington, D.C.

RE: A Proposal to employ millions of Americans, while also
ending local flooding and water pollution problems.

Dear President Carter:

I propose that we endorse a major construction program separating the combined sewer lines in most American cities into completely separate storm and sanitary sewers. This one construction program will go far toward reducing unemployment, as well as local flooding and water pollution.

The present sewer system in most American cities is a combined system which carries off sanitary household waste and storm water at the same time. This water flows to a treatment plant where it is treated and released to a receiving body of water. During normal weather this system works well enough. But during periods of heavy rainfall, the sewer capacity is frequently inadequate to handle the heavy flow which backs up into basements and causes local flooding. The heavy flows also frequently exceed the capacity of the waste water treatment plant and are often diverted into the lake or river completely without treatment, causing water pollution.

Many approaches have been proposed to deal with this problem, but most sanitary engineers have stated that the ideal solution lies in the complete separation of the combined sewer lines into separate storm and sanitary sewers. This is an enormously expensive undertaking--and therein lies the great potential of this approach.

Of all the major types of construction activity, sewer-line replacement requires the highest proportion of unskilled labor. Studies by the U.S. Labor Department indicate that common laborers account for 40% of all on-site man hours, and on-site wages normally account for 25% of the dollar value of a typical sewer line installation.

Let me cast these abstract figures in City of Cleveland terms. The sewer system in the City of Cleveland is made up of approximately 1600 miles of combined sewerpipe. If we were to program the total separation of the sewer system in Cleveland, the total costs would run about \$1.5 billion.

Assume that the costs and percentages mentioned above hold true, and that the wages paid to common laborers would be somewhat below the average for all employees on the job, the decision to undertake the complete separation of the sewers in Cleveland would result in direct wage payments of around \$150 million to unskilled laborers. At an average annual income of \$9,000, this could generate more than 16,000 man-years of employment. Since there are, by our last estimate, approximately 12,000 unemployed males in the City of Cleveland, this one project could employ all of our presently unemployed males for approximately 16 months. If these basic laboring jobs were seen as a spring-board apprenticeship for permanent positions in the construction field, we would be providing training for on-line employment after the sewer project's completion.

Think of what we could accomplish by this one program! We could end present unemployment in the entire City of Cleveland for at least 16 months; we could put a permanent crimp in future unemployment; we could end local flooding; and we will have improved the water quality of the region and the country immeasurably.

Mr. President, I recommend serious consideration of this proposal for application nationally.

Sincerely,


DENNIS J. KUCINICH
Mayor
City of Cleveland

DJK:mmm

THE WHITE HOUSE
WASHINGTON

January 24, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Robert Lipshutz 
SUBJECT: United Negro College Fund, Inc.

As you may recall, on July 6, 1976 you agreed to serve as Honorary Chairman of the United Negro College Fund Capital Resources Development Program.

In a meeting on November 11, 1977 at the White House you made remarks which are excerpted in the attached statement. This statement, signed by you, is to be a part of the UNCF's fundraising booklet.

I recommend that you sign the attached statement for publication in the fundraising booklet.

. . . I can't think of a better project for you to undertake . . . I have confidence in the future of these Negro Colleges. They have come through a testing period where their strength and commitment and quality have already been proven . . . \$50 million is an awfully small amount for 41 colleges to share . . . I am a proud partner with you in one of the finest commitments for the benefit of all the American people I can imagine.

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned below the typed text.

Jimmy Carter Presidential Campaign

6 July 1976

To Christopher Edley

I will be delighted to serve as Honorary Chairman of the United Negro College Fund Capital Resources Development Program. I am honored that you have asked me to participate, and I look forward to working with you.

Sincerely,


Jimmy Carter

JC/mw

EXECUTIVE DIRECTOR
UNCF, INC.

Rec'd JUL 19 1976

AM

1-15

Robert L. ...
James A. ...

P.O. Box 1976 Atlanta, Georgia 30301 404/897-7100



United Negro College Fund, Inc.

500 East 62 Street, New York, N.Y. 10021 (212) 644-9600

Morris B. Abram
Chairman of the Board
Milton K. Curry, Jr.
President
Frederick D. Patterson
Founder and Honorary President
Christopher F. Edley
Executive Director

NATIONAL CAMPAIGN LEADERSHIP

A. Dean Swift
General Chairman, National Campaign

NATIONAL VICE-CHAIRMEN

Alex Haley
Lewis W. Foy

John R. Opel
Chairman, National Corporations Committee

CORPORATE VICE-CHAIRMEN

John F. Bonner
Utilities

Francis J. Dunleavy
Industrials

David C. Garrett, Jr.
Transportation

Walter S. Holmes, Jr.
Diversified Financial

John F. McGillicuddy
Banks

Donald V. Seibert
Retailing

Richard R. Shinn
Life Insurance

Mrs. Lewis W. Douglas
Mrs. Edward N. Ney

Mrs. Edward M. M. Warburg
Co-Chairwomen, Individual Giving

Mrs. Whitney M. Young, Jr.
Chairwoman, National Groups

NATIONAL CAMPAIGN STAFF

Virgil E. Ecton
National Campaign Director

Luther H. Vinson
Special Project Director

New York Campaign

Jane Poindexter
Director

Foundations Support Program

Jane Biral
Director

Individual Gifts/Direct Mail
Support Program

David L. Vaughn
Special Project Director

New York Corporations

Kenneth R. Harris
Director

Special & Deferred Gifts
Support Program

James L. Allen
Associate National Development Director

Central Region

Richard J. McRostie
Assistant National Development Director

Western Region

Verdell L. Roundtree
Assistant National Development Director

Headquarters Region

January 13, 1978

Mr. Richard Reiman
Office of Public Liaison
The White House
Washington DC

Dear Richie:

Enclosed is the excerpt (A) from the President's speech at the White House breakfast that we would like him to sign.

As Jim indicated, we plan to use this quote on the inside front cover of our case statement booklet as illustrated in enclosure (B). This booklet is the basic tool in our efforts to raise \$50 million for our 41 member institutions.

We truly appreciate your continuing support and hope to hear from you within the next few days.

Sincerely,

Edward B. Bell
Co-Director
Capital Resources
Development Program

EBB:ww
Enclosures

honorary chairman
along w/ Mrs
Murphy 5 am

"A mind is a terrible thing to waste."

UNITED NEGRO COLLEGE FUND, INC.

FREDERICK D. PATTERSON, Founder and Honorary President

OFFICERS AND BOARD OF DIRECTORS

MORRIS B. ABRAM, Chairman
ROBERT LAZARUS, JR., Vice Chairman
MILTON K. CURRY, JR., President and Vice Chairman
DAVID ROCKEFELLER, National Treasurer

MORRIS B. ABRAM
Partner
Paul, Weiss, Rifkind,
Wharton and Garrison
New York, New York

J. PAUL AUSTIN
Chairman of the Board
Coca-Cola Company
Atlanta, Georgia

T. F. BRADSHAW
President
Atlantic Richfield Company
Los Angeles, California

OSWALD BRONSON
President
Bethune-Cookman College
Daytona Beach, Florida

ELY R. CALLAWAY, JR.
Termeclia, California

LEO C. CLANCY
Vice President
Bonz, Allen & Hamilton, Inc.
New York, New York

SAMUEL DUBOIS COOK
President
Dillard University
New Orleans, Louisiana

CHARLES K. COX
Chairman
Insurance Company of North
America
Philadelphia, Pennsylvania

MILTON K. CURRY, JR.
President
Bishop College
Dallas, Texas

JOHN D'ARCY, JR.
Vice Chairman
Operations and Administration
Quaker Oats Company
Chicago, Illinois

ALBERT W. DENT
New Orleans, Louisiana
MRS. LEWIS W. DOUGLAS
Tucson, Arizona

DUDLEY DOWELL
Heber Springs, Arkansas

DR. HELEN G. EDMONDS
Durham, North Carolina

LUTHER H. FOSTER
President
Tuskegee Institute
Tuskegee, Alabama

LEWIS W. FOY
Chairman
Bethlehem Steel Corporation
Bethlehem, Pennsylvania

NORMAN C. FRANCIS
President
Xavier University
New Orleans, Louisiana

HENRY W. GADSDEN
Merck & Co.
Rahway, New Jersey

RICHARD C. GERSTENBERG
General Motors Corporation
Detroit, Michigan

MRS. HARRY H. C. GIBSON
Chicago, Illinois

HUGH M. GLOSTER
President
Morehouse College
Atlanta, Georgia

WILLIAM T. GOSSETT
Partner
Dykema, Gossett, Spencer,
Goodnow & Trigg
Troy, Michigan

DARYL F. GRISHAM
President
Parker House Sausage Company
Chicago, Illinois

JEROME H. HOLLAND
New York, New York

HILARY H. HOLLOWAY
Vice President and General
Counsel
Federal Reserve Bank of
Philadelphia
Philadelphia, Pennsylvania

ALLIX B. JAMES
President
Virginia Union University
Richmond, Virginia

JOHN H. JOHNSON
President
Johnson Publishing Company
Chicago, Illinois

RAYMOND C. JOHNSON
President
Council for Financial Aid
to Education
New York, New York

LINDSLEY F. KIMBALL
Associate
The Rockefeller Brothers
Foundation
New York, New York

JOHN T. KING
President
Huston-Tillotson College
Austin, Texas

ROBERT LAZARUS, JR.
Executive Vice President
F & R Lazarus Company
Columbus, Ohio

DAVID J. MAHONEY
Chairman, President
Norton Simon, Inc.
New York, New York

HUBERT V. MANNING
President
Claflin College
Orangeburg, South Carolina

BENJAMIN E. MAYES
Atlanta, Georgia

JOHN F. MCGILLICUDDY
President
Manufacturers Hanover Trust
Company
New York, New York

C. RAYMOND MERRIWETHER
Kirkland, Washington

ISAAC H. MILLER, JR.
President
Bennett College
Greensboro, North Carolina

THOMAS A. MURPHY
Chairman
General Motors Corporation
Detroit, Michigan

MRS. EDWARD NEY
New York, New York

GEORGE A. OWENS
President
Tougaloo College
Tougaloo, Mississippi

MRS. MARTHA LUCAS PATE
New York, New York

FREDERICK D. PATTERSON
Chairman
Robert R. Moton Memorial
Institute
New York, New York

PREZELL R. ROBINSON
President
Saint Augustine's College
Raleigh, North Carolina

DAVID ROCKEFELLER
Chairman
The Chase Manhattan Bank, N.A.
New York, New York

JAMES A. RUSSELL, JR.
President
Saint Paul's College
Lawrenceville, Virginia

JULIUS S. SCOTT, JR.
President
Paine College
Augusta, Georgia

F. GEORGE SHIPMAN
President
Livingstone College
Salisbury, North Carolina

ISAAC N. P. STOKES
Underhill, Vermont

A. DEAN SWIFT
President
Sears, Roebuck and Co.
Chicago, Illinois

A. C. TERRENCE, M.D.
Opelousas, Louisiana

WILLIAM J. TRENT, JR.
Greensboro, North Carolina

CHAUNCEY L. WADDELL
New York, New York

MRS. EDWARD M. M. WARBURG
Westport, Connecticut

MRS. C. DELMAR WILLIAMS
New York, New York

W. CLYDE WILLIAMS
President
Miles College
Birmingham, Alabama

MORRIS B. ZALE
Zale Corporation
Dallas, Texas

* Honorary Director

MEMBER COLLEGES AND UNIVERSITIES

MILTON K. CURRY, JR., President
ALLIX B. JAMES, Vice President
HUBERT V. MANNING, Secretary

ATLANTA UNIVERSITY
President: Thomas D. Jarrett
Atlanta, Georgia 30314

BARBER-SCOTIA COLLEGE
President Mable McLean
Concord, North Carolina 28205

BENEDICT COLLEGE
President Henry Ponder
Columbia, South Carolina 29204

BENNETT COLLEGE
President Isaac H. Miller, Jr.
Greensboro, North Carolina 27420

BETHUNE-COOKMAN COLLEGE
President Oswald Bronson
Daytona Beach, Florida 32015

BISHOP COLLEGE
President Milton K. Curry, Jr.
Dallas, Texas 75241

CLAFLIN COLLEGE
President Hubert V. Manning
Orangeburg, South Carolina 29115

CLARK COLLEGE
President Elias Blake, Jr.
Atlanta, Georgia 30314

DILLARD UNIVERSITY
President Samuel DuBois Cook
New Orleans, Louisiana 70122

ISK UNIVERSITY
Acting President George W. Gore, Jr.
Nashville, Tennessee 37203

FLORIDA MEMORIAL COLLEGE
Dr. Paul V. Moore
Provost & Interim Administrator
Miami, Florida 33054

HUSTON-TILLOTSON COLLEGE
President John T. King
Austin, Texas 78702

INTERDENOMINATIONAL
THEOLOGICAL CENTER
President Grant S. Shockley
Atlanta, Georgia 30314

JARVIS CHRISTIAN COLLEGE
President Earl W. Rand
Hawkins, Texas 75765

JOHNSON C. SMITH UNIVERSITY
President Wilbert Greenfield
Charlotte, North Carolina 28208

KNOXVILLE COLLEGE
President Rutherford H. Adkins
Knoxville, Tennessee 37921

LANE COLLEGE
President Herman Stone, Jr.
Jackson, Tennessee 38301

LEMOYNE-OWEN COLLEGE
President Walter L. Walker
Memphis, Tennessee 38126

LIVINGSTONE COLLEGE
President F. George Shipman
Salisbury, North Carolina 28144

MILES COLLEGE
President W. Clyde Williams
Birmingham, Alabama 35208

MOREHOUSE COLLEGE
President Hugh M. Gloster
Atlanta, Georgia 30314

MORRIS BROWN COLLEGE
President Robert Threatt
Atlanta, Georgia 30314

OAKWOOD COLLEGE
President Calvin B. Rock
Huntsville, Alabama 35806

PAINE COLLEGE
President Julius S. Scott, Jr.
Augusta, Georgia 30901

PAUL QUINN COLLEGE
Acting President Reuben Manning
Waco, Texas 76704

PHILANDER SMITH COLLEGE
President Walter R. Hazzard
Little Rock, Arkansas 72203

RUST COLLEGE
President W. A. McMillan
Holly Springs, Mississippi 38635

SAINT AUGUSTINE'S COLLEGE
President Prezell R. Robinson
Raleigh, North Carolina 27602

SAINT PAUL'S COLLEGE
President James A. Russell, Jr.
Lawrenceville, Virginia 23868

SHAW UNIVERSITY
Acting President Richard L. Fields
Raleigh, North Carolina 27602

SPELMAN COLLEGE
President Donald M. Stewart
Atlanta, Georgia 30314

STILLMAN COLLEGE
President Harold N. Stinson
Tuscaloosa, Alabama 35401

TALLADEGA COLLEGE
President Joseph N. Gayles
Talladega, Alabama 35160

TEXAS COLLEGE
President Allen C. Hancock
Tyler, Texas 75701

TOUGALOO COLLEGE
President George A. Owens
Tougaloo, Mississippi 39174

TUSKEGEE INSTITUTE
President Luther H. Foster
Tuskegee, Alabama 36088

VIRGINIA UNION UNIVERSITY
President Allix B. James
Richmond, Virginia 23220

VOORHEES COLLEGE
President Harry P. Graham
Denmark, South Carolina 29042

WILBERFORCE UNIVERSITY
President Charles E. Taylor
Wilberforce, Ohio 45384

WILEY COLLEGE
President Robert E. Hayes
Marshall, Texas 75670

XAVIER UNIVERSITY
President Norman C. Francis
New Orleans, Louisiana 70125

INDIVIDUAL MEMBERS

DR. FRED COLE
Council on Library Resources, Inc.
Washington, D.C.

DR. ALBERT W. DENT
New Orleans, Louisiana

DR. CHARLES V. HAMILTON
Sage Professor of Government
Columbia University
New York, New York

DR. DOUGLAS KNIGHT
President, Questar Corporation
New Hope, Pennsylvania

DR. FREDERICK D. PATTERSON
Chairman
Robert R. Moton Memorial Institute
New York, New York

DR. BENJAMIN F. PAYTON
Ford Foundation
New York, New York

DR. HOLLIS F. PRICE
Memphis, Tennessee

DR. SAMUEL D. PROCTOR
Rutgers University
New Brunswick, New Jersey

DR. HARRY V. RICHARDSON
Atlanta, Georgia

HON. GEORGE L. WEAVER
Washington, D.C.

8261-1-108
508



UNCF colleges and universities have produced well—unbelievably well—considering their limited resources. But there is a crisis at hand that can be met in no other way than through a special Capital Resources Development Program. A goal of \$50 million has been established. This is a realistic, reachable goal. You are our chief source of confidence. There is no question in my mind that we will succeed in this ambitious effort.

P. A. Murphy

...I can't think of a better project for you to undertake...I have confidence in the future of these Negro colleges. They have come through a testing period where their strength and commitment and quality have already been proven...\$50 million is an awfully small amount for 41 colleges to share...I am a proud partner with you in one of the finest commitments for the benefit of all the American people that I can imagine.

Signature

THE WHITE HOUSE
WASHINGTON
January 25, 1978

The Vice President

The attached was returned in the President's outbox. It is forwarded to you for appropriate handling.

Rick Hutcheson

cc: Frank Moore

RE: COPPER STOCKPILE

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
/		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
/		MOORE
		POWELL
		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE
WASHINGTON

1-25-78

To V P Mondale

Briefly assess advis-
ability of buying some
copper for stockpile.
Thanks -

J.C.

p.s. Mo Ulliel says this
is most important for
West.

THE PRESIDENT HAS SEEN.

9:00 AM

THE WHITE HOUSE

WASHINGTON

MEETING WITH SENATOR JAMES PEARSON
Wednesday, January 25, 1978
9:00 a.m. (15 minutes)
The Oval Office

From: Frank Moore *F.M/p*

I. PURPOSE

To discuss various matters of mutual interest and concern.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: Senator Pearson will be retiring so and it may be possible to appeal to the statesman in him. He is a maverick, moderate Republican who has helped us on some important votes. He is respected and admired by Democrats and republicans alike, especially Baker. We could use his active support on both Panama and SALT.

B. Participants: The President
Senator Pearson
Frank Moore
Dan Tate

C. Press Plan White House Photo Only.

III. TALKING POINTS

1. Senator Pearson is one of the most respected members of the Senate minority. He has been a voice of reason and common sense as senior Republican on the Commerce Committee, while supporting many important reforms. On January 31, the Senator will have been in the Senate 16 years exactly. You should thank him for his many years of fine service. He will retire at the end of this term.
2. You should ask the Senator's help on key foreign policy issues this year - Panama and SALT principally. As you know, he is also on the Foreign Relations Committee. Regarding Panama, you should urge him to resist amendments or other alterations except for incorporating the October 14 statement in some form in the treaties.

3. You should ask the Senator to assess the chances for a "no-fault" bill in the Commerce Committee. He has been a consistent supporter. You remember Senator Cannon said no-fault looked good on the floor but doubtful in Committee.
4. This would also be an opportune time for you to ask the Senator's support for our position on the B-1 program.

THE WHITE HOUSE

WASHINGTON

MEETING WITH SENATOR JAMES PEARSON

Wednesday, January 25, 1978

9:00 a.m. (15 minutes)

The Oval Office

From: Frank Moore

I. PURPOSE

To discuss various matters of mutual interest and concern.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: Senator Pearson will be retiring so and it may be possible to appeal to the statesman in him. He is a maverick, moderate Republican who has helped us on some important votes. He is respected and admired by Democrats and republicans alike, especially Baker. We could use his active support on both Panama and SALT.

B. Participants: The President
Senator Pearson
Frank Moore
Dan Tate

C. Press Plan White House Photo Only.

III. TALKING POINTS

1. Senator Pearson is one of the most respected members of the Senate minority. He has been a voice of reason and common sense as senior Republican on the Commerce Committee, while supporting many important reforms. On January 31, the Senator will have been in the Senate 16 years exactly. You should thank him for his many years of fine service. He will retire at the end of this term.
2. You should ask the Senator's help on key foreign policy issues this year - Panama and SALT principally. As you know, he is also on the Foreign Relations Committee. Regarding Panama, you should urge him to resist amendments or other alterations except for incorporating the October 14 statement in some form in the treaties.

3. You should ask the Senator to assess the chances for a "no-fault" bill in the Commerce Committee. He has been a consistent supporter. You remember Senator Cannon said no-fault looked good on the floor but doubtful in Committee.
4. This would also be an opportune time for you to ask the Senator's support for our position on the B-1 program.

THE WHITE HOUSE
WASHINGTON

WEDNESDAY - JANUARY 25, 1978

MR. PRESIDENT

JUDGE BELL AND CHARLES KIRBO

WANT TO SEE YOU BRIEFLY AT

10:45 A.M.

T.K.

ok
J

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

January 24, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON *Jack*

SUBJECT: Meeting with Mayor Dennis Kucinich and his wife Sandy, and Senators Howard Metzenbaum and John Glenn - Wednesday, January 25, 1978, 11:40 to 11:45 a.m. in the Oval Office

The purpose of this meeting is for you to meet Dennis Kucinich, the new Mayor of Cleveland, Ohio, and the youngest mayor of a large United States' city.

Mayor Kucinich has a reputation for being an "opportunistic and maverick" democrat. He does not enjoy the support of most of the established Democrats in Cleveland. He won election with a very narrow margin (3,000 votes/51%) against a Democrat. There was substantial racial polarization in the election even though his opponent was white with the black vote going 2 to 1 against Kucinich. Mr. Kucinich was helpful during your Presidential campaign and has pledged his continued support for your Administration. He would very much like to see the 1980 Democratic Convention held in Cleveland.

The Mayor has a "grassroots" approach to his constituents which was best demonstrated during the recent snow storms in Ohio. He made national news by personally assisting stranded travelers and giving them shelter in his offices.

The Mayor publicly announced he has put together a "shopping list" for his trip to Washington. Kucinich made two campaign promises that will require the Administration's assistance to keep. They involve revamping Cleveland's deteriorating sewage system (estimated cost of \$250 million) and port facilities (estimated cost of \$200 million).

Kucinich has also sought to stop a \$2 million Downtown People Mover project. The application to UMTA was made last year but Kucinich believes it to be wasteful and vetoed a City Council resolution to proceed with the project. The Council overrode the veto. Richard Page, Administrator for UMTA, has informed the Mayor that because of the present conflict between the legislative and executive branches of the City's government no further action will be taken on the pending application. Should the City submit sufficient evidence before September 30, 1978, that all parties involved support the project, the application will be given priority consideration.

We have not analyzed his shopping list since no actual requests have been submitted.

There will be a brief photo session for press at the beginning of the meeting.

THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

January 24, 1978

MEETING WITH SENATOR PAUL HATFIELD AND FAMILY

Wednesday, January 25, 1978

11:50 a.m. (10 minutes)

The Oval Office

From: Frank Moore

F.m./pd.

*Paul
Dorothy
Kathy
Susan
Paul*

I. PURPOSE

To meet the new Senator from Montana replacing the late Senator Lee Metcalf.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

- A. Background: Senator Hatfield, a Democrat, was born on April 29, 1928. At the time of his appointment to fill Senator Metcalf's seat, he was Chief Justice of the Montana Supreme Court, a position he held for one year with seven years remaining. He was elected by the largest vote ever given for that office -- winning by over 100,000 votes.

Prior to serving on the Supreme Court, he served for 16 years as a District Judge in Great Falls, also an elective office.

Senator Hatfield is married to Dorothy Allen from Spokane, Washington who is also a lawyer. They have three children, Paul 15, Susan 17, and Kathy 18.

The Senator is a graduate of the College of Great Falls and served in the Army in Korea. Following the Korean War, he attended the University of Montana Law School, beginning in 1955. He practiced law in Great Falls before becoming District Judge.

- B. Participants: The President
Senator Paul Hatfield
Dorothy Hatfield, his wife
Helen Allen, his mother-in-law
Paul Hatfield, his son
Susan Hatfield, his daughter
Kathy Hatfield, his daughter
Frank Moore
Dan Tate

C. Press Plan: White House Photo

III. TALKING POINTS

Senator Hatfield has requested substantive briefings on all subjects. We intend to start with Panama.


MEMORANDUM

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

24 January 1978

TO: THE PRESIDENT
FROM: RICK HUTCHESON 
SUBJECT: Signed Copies of the Budget

EIGHTEEN SIGNATURES REQUESTED on copies of the Budget and Economic Report. This is a traditional practice, which I recommend that you continue. The copies would be distributed as follows:

Copies of the Budget

- ✓ Former President Ford
- ✓ Chairman, House Appropriations
- ✓ Chairman, Senate Appropriations
- ✓ Chairman, House Committee on the Budget
- ✓ Chairman, Senate Committee on the Budget
- ✓ Secretary of the Treasury
- ✓ Acting Director, OMB

Executive Associate Director - Budget

Executive Associate Director - Reorganization & Management

Associate Director Cutler

Associate Director Granquist

Associate Director Green

Associate Director Jayne

Associate Director Woolsey

Assistant Director for Budget Review

Copies of the Economic Report

- (3) Members of the Council of Economic Advisers

THE WHITE HOUSE
WASHINGTON

Mr. President --

These books are on the desk
in your Study...if you want
to sign them.

If you don't, I will for you.

--SSC

*9/11 sign ✓
Those
J*

385

THE WHITE HOUSE
WASHINGTON

January 25, 1978

Secretary Harris
Stu Eizenstat

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

cc: Jack Watson
Jim McIntyre
Charles Schultze

URBAN POLICY

THE WHITE HOUSE
WASHINGTON

cc Harris

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI
X	
X	
X	
X	

	MONDALE
	COSTANZA
X	EIZENSTAT
	JORDAN
	LIPSHUTZ
	MOORE
	POWELL
X	WATSON
X	McINTYRE-
X	SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to
	Carp/Huron within
	48 hours; due to
	Staff Secretary
	next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN



THE WHITE HOUSE

WASHINGTON

1-25-78

To Pat Harris
Stu Eizenstat

Proceed on urban policy as
indicated on memo, but

- a) include all cities
- b) analyze existing programs first
- c) encompass federal state, local govt,
+ private & neighborhood groups +
volunteers.

I would like to place a
major emphasis on c) & try to
do it in an inspirational &
exciting way if possible.

My whole family will help.

Jimmy

Electrostatic Copy Made
for Preservation Purposes

THE WHITE HOUSE
WASHINGTON

1/25/78

rick--

f.y.i. and file

--SSC



THE WHITE HOUSE

WASHINGTON

1-25-78

To Congressman Jim Corman

I have every hope and expectation that the welfare reform proposals will be passed by the Congress this year if the superb work of you and your Committee continue. Although it will not be easy, there is growing interest in the Senate. We will do our best in cooperation with



THE WHITE HOUSE
WASHINGTON

you, Senator Moynihan
and others to be success-
ful this year.

Call on me directly
when I can be of help,
and of course Secretary
Califano, other members
of the Cabinet and all
those who work with us
are eager to be con-
tinuing partners with
you.

Jimmy Carter

cc: Committee members

367

THE WHITE HOUSE
WASHINGTON
January 25, 1978

Sec. Schlesinger

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

cc: Hamilton Jordan

RE: DOE PRINCIPAL AND KEY PERSONNEL

ADMINISTRATIVELY CONFIDENTIAL

Admini confid

THE WHITE HOUSE
WASHINGTON

Top 2 pages

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
X		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
X	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN



Department of Energy
Washington, D.C. 20585

THE PRESIDENT HAS SEEN.

January 24, 1978

THE PRESIDENT

JIM SCHLESINGER

MEMORANDUM FOR:

FROM:

SUBJECT:

Department of Energy Principal and
Key Personnel

I am responding to your note with respect to the "top forty-five" key personnel within the Department of Energy.

Presidential Nominees

Of those forty-five, there are twenty-two Presidential nominees. Of these:

- o fourteen have been confirmed (of whom, one is a woman and one a black) (Tab A)
- o three have been nominated but not yet confirmed (no women or blacks) (Tab B)
- o one has been selected but not yet nominated (a woman) and (Tab C)
- o four vacancy selections to be made (of whom two are planned to be either women or blacks) (Tab D)

If two of the remaining four unselected Presidential nominees are women or blacks, this would bring total representation among Presidential nominees to almost 25 percent.

As regards Republicans, there is one (Under Secretary Dale Myers), who was personally cleared by you and by Hamilton. Indeed, I am somewhat at a loss to explain criticism from Democrats, since the single note of overt partisanship sounded regarding DOE nominations to date has come from the Republicans, who complained that only one of the five Federal Energy Regulatory Commission (FERC) seats was filled by a Republican (Georgiana Sheldon, whom I was eager to have and Hamilton eager to place).

Jim - With remaining appointees and future vacancies, try to improve representation of women & minorities. I don't care about political party
J.C.

4/22

Indeed, the Chairman of the FERC -- Charles Curtis -- while nominally an independent, has strong Democratic ties on Capitol Hill with John Dingell, Harley Staggers and other key House Democrats.

Other Key Personnel

Of the twenty-three other key personnel within the Department identified at Tab E, there are five women (or just under 25%) and one black (about 4%). As to party affiliation, fifteen are Democrats, two are Republicans, two are noncareer civil service and four are career civil servants. I have avoided asking civil servants what their registration is (if any), since they have been precluded from normal political activities by the Hatch Act.

Summary

Any overall assessment by the outside world of our Department's hiring policies remains difficult since our total slate has been delayed through slow clearances and unfilled positions. This latter problem has been reinforced by the slow process of Senate confirmation.

In the energy area, we are finding many cross-currents among interest groups that make filling key positions difficult and usually subject to criticism. For example, I have interviewed a strong black candidate for the Assistant Secretary for Environment position, with good technical credentials, who has been strongly opposed by environmental groups. Other similar conflicts seem endemic to the energy area.

I am strongly aware of the need both for the best possible personnel in DOE positions, and for strong actions to reinforce our commitment to hiring of women and blacks in key positions. I do not believe these goals need be in conflict, and am continuing efforts to increase women and minority representation in key positions within the Department.

I would be happy to discuss this matter with you further at your convenience.

TAB A

DEPARTMENT OF ENERGY
PRESIDENTIAL NOMINEES CONFIRMED BY THE SENATE

<u>NAME</u>	<u>POSITION</u>	<u>POLITICAL AFFILIATION</u>
John F. O'Leary	Deputy Secretary	Democrat
Dale D. Myers	Under Secretary	Republican
Alvin L. Alm	Assistant Secretary, Policy and Evaluation	Democrat
Harry E. Bergold, Jr.	Assistant Secretary, International Affairs	Career Foreign Service (State Department)
Phillip S. Hughes	Assistant Secretary, Intergovernmental and Institutional Relations	Democrat
John M. Deutch	Director, Office of Energy Research	Democrat
David Bardin	Administrator, Economic Regulatory Administration	Democrat
Lincoln Moses	Administrator, Energy Information Administration	Democrat

DEPARTMENT OF ENERGY
PRESIDENTIAL NOMINEES CONFIRMED BY THE SENATE

<u>NAME</u>	<u>POSITION</u>	<u>POLITICAL AFFILIATION</u>
Charles B. Curtis	Chairman and Member, Federal Energy Regulatory Commission	Independent
George R. Hall	Member, Federal Energy Regulatory Commission	Democrat
Matthew Holden	Member, Federal Energy Regulatory Commission	Democrat
Georgiana H. Sheldon	Member, Federal Energy Regulatory Commission	Republican
Don S. Smith	Member, Federal Energy Regulatory Commission	Democrat

TAB B

DEPARTMENT OF ENERGY
PRESIDENTIAL NOMINEES NOT CONFIRMED BY THE SENATE
PRIOR TO ADJOURNMENT

<u>NAME</u>	<u>POSITION</u>	<u>POLITICAL AFFILIATION</u>
Lynn R. Coleman	General Counsel	Democrat
George S. McIsaac	Assistant Secretary, Resource Applications	Democrat
Robert D. Thorne	Assistant Secretary, Energy Technology	Democrat

TAB C

DEPARTMENT OF ENERGY
PRESIDENTIAL NOMINEES TO BE ANNOUNCED

<u>NAME</u>	<u>POSITION</u>	<u>POLITICAL AFFILIATION</u>
Omi Walden	Assistant Secretary, Conservation and Solar Applications	Democrat

TAB D

DEPARTMENT OF ENERGY
PRESIDENTIAL APPOINTMENT VACANCIES

Assistant Secretary,
Defense Programs

Assistant Secretary,
Environment

Inspector General

Deputy Inspector General

DEPARTMENT OF ENERGY
OTHER KEY PERSONNEL

<u>NAME</u>	<u>POSITION</u>	<u>POLITICAL AFFILIATION</u>
Worth Bateman	Deputy Director, Office of Energy Research	Democrat
James Bishop, Jr.	Director, Office of Public Affairs	Democrat
Roger D. Colloff	The Special Assistant to the Secretary, Deputy Secretary and Under Secretary	Democrat
Jeffrey R. Cooper	Assistant to the Secretary	Democrat
C. William Fischer	Deputy Administrator, Energy Information Administration	Career Civil Service (Energy Executive Service)
Leslie J. Goldman	Deputy Assistant Secretary for Policy Development and Competition	Democrat
Robert Hanfling	Assistant to the Deputy Secretary	Democrat

DEPARTMENT OF ENERGY
OTHER KEY PERSONNEL

NAME	POSITION	POLITICAL AFFILIATION
John A. Harris, Jr.	Deputy Director, Office of Public Affairs	Democrat
William S. Heffelfinger	Director, Administration	Republican
Frederick P. Hitz	Director, Office of Congressional Affairs	Non Career Civil Service
Tina Hobson	Director, Office of Consumer Affairs	Democrat
Evelyn C. Irons	Executive Assistant to the Secretary	Democrat
Sarah Jackson	Deputy Assistant Secretary for International Policy Development	Democrat
Judith Liersch	Deputy Director, Office of Intergovernmental Affairs	Democrat
Walter McDonald	Principal Deputy to the Assistant Secretary, International Affairs	Career Civil Service

DEPARTMENT OF ENERGY
OTHER KEY PERSONNEL

NAME	POSITION	POLITICAL AFFILIATION
William McDonald	Executive Director, Federal Energy Regulatory Commission	Non Career Civil Service
Frank R. Pagnotta	Director, Office of the Secretary	Democrat
William E. Peacock	Director, Office of Intergovernmental Affairs	Democrat
Hazel Rollins	Deputy Administrator, Energy Regulatory Administration	Democrat
Lawrence Stewart	Director, Office of Education, Business and Labor	Career Civil Service (Energy Executive Service)
Michael J. Tashjian	Director, Procurement and Contracts Management	Democrat

DEPARTMENT OF ENERGY
OTHER KEY PERSONNEL

<u>NAME</u>	<u>POSITION</u>	<u>POLITICAL AFFILIATION</u>
Eric Willis	Acting Deputy Assistant Secretary, Energy Technology	Career Civil Service (Energy Executive Service)
John D. Young	Deputy Under Secretary and Acting Controller	Republican

T H E W H I T E H O U S E

DATE: 25 JAN 78

INFO ONLY: HAMILTON JORDAN

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: +
+++++

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:



1/25/78

THE WHITE HOUSE
WASHINGTON

To Mayor Jacques Chirac

I want to thank you very much for sending me the beautiful edition of Institutions du droit de la nature et des gens.

This book, from the early days of the close association between our two countries, is an excellent reminder of my visit to France, and of the commitment of our peoples to common and enduring principles.

Sincerely,

His Excellency Jacques Chirac
Mayor of Paris
Hotel de Ville
Paris

ID 780345

T H E W H I T E H O U S E

WASHINGTON

DATE: JAN 24 78

FOR ACTION:

INFO ONLY: JODY POWELL

FROM: RICK HUTCHESON WHITE HOUSE STAFF SECRETARY PHONE 456-7052

SUBJECT BRZEZINSKI MEMO DATED 1/24/78 RE LETTER TO JACQUES CHIRAC

RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY

BY

JAN 28 78

ACTION REQUESTED: THIS MEMO IS FORWARDED TO YOU FOR YOUR INFORMATION


STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD; DO NOT FORWARD.

PLEASE NOTE OTHER COMMENTS BELOW:

DEMOCRATIC

NATIONAL COMMITTEE 1625 Massachusetts Ave., N.W. Washington, D.C. 20036 (202) 797-5900

To: Rick Hutcheson

From: Paul Sullivan 

Date: January 24, 1978

Attached is a poll sent to me by Victor de Grazia, former political aide to Governor Walker of Illinois; though the President might find it interesting.

CARTER BEATS FORD
59% TO 41% ON
ANNIVERSARY OF ELECTION

Carter wins decisively over Ford in a nationwide poll conducted in November 1977, shortly after the first anniversary of Jimmy Carter's original election to office. The poll was commissioned by de Grazia, Wallace Associates, a Chicago based media campaign consulting firm.

A nationwide sampling of 854 personal interviews with men and women, asked: "If the election for president were held today, with Jimmy Carter as the Democratic candidate and Gerald Ford as the Republican candidate, for whom would you vote?" divide, with Carter getting 53% of the votes, Ford 38% and the remaining 9% having "no opinion." When only those respondents who announced their vote are counted, Carter wins over Ford by a margin of 59% to 41%.

The broad margin by which Carter would win the election if it were held today is in line with the results of month-by-month telephone polling conducted by Leo J. Shapiro & Associates since November 1976. This polling shows the percentage of Americans who can think of anyone that they would rather have as president than Jimmy Carter declines from 45% on the days immediately following Carter's election to 31% in September and October 1977.

"If it were up to you, would you rather have
someone else besides Jimmy Carter as president?"

	1976		1977										
	Nov. (409)	Dec. (414)	Jan. (420)	Feb. (451)	Mar. (449)	Apr. (459)	May (499)	June (429)	July (473)	Aug. (426)	Sept. (422)	Oct. (414)	Nov. (432)
ALL RESPONDENTS	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
NO	50	50	56	72	70	71	68	72	70	70	67	68	68
YES	45	46	40	25	25	26	29	24	26	29	31	31	30
Not answering	5	4	4	3	5	3	2	3	4	1	2	1	2

Victor de Grazia, President of de Grazia, Wallace Associates, said: "Questions about Presidential job ratings can be misleading because the person is not asked to compare his rating of Carter with anyone else. It's a question in a vacuum. Elections force people to choose between candidates and therefore this question more accurately reflects the views of Carter by voters today."

de Grazia said Ford was chosen as the single strongest Republican opponent based on preliminary testing.

SOURCE: MONTHLY NATIONAL POLLS

A fresh sampling of approximately 450 men and women is drawn for each monthly National Poll. The November 1976 National Poll was conducted the morning after the election when results were known; the November 1977 National Poll was done one year after the 1976 Poll, almost to the day.

nsc/sec

THE WHITE HOUSE

WASHINGTON

January 25, 1978

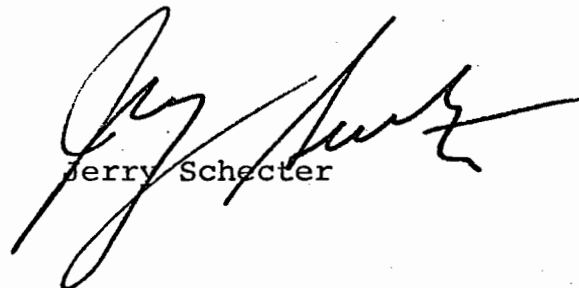
MEMORANDUM FOR

AL EISELE
HODDING CARTER

SUBJECT: Statement on Korea

The President used the statement at Tab A as the basis for talking points in his meeting with out-of-town editors on Friday, January 13. However, he feels that we still need this material used in a speech by the Vice President or Secretary Vance.

Please see if you can incorporate it in a forthcoming speech and let me know how and when it will be used.



Jerry Schecter

cc: Mike Armacost
Dick Holbrooke

STATEMENT ON KOREA

We have recently completed negotiations with the Republic of Korea establishing conditions for Mr. Tongsun Park to testify in this country. Serious charges have been made of improper lobbying activities in the United States by Korean nationals and also of improper conduct by Americans. It is essential that these charges be fully investigated and that action be taken to avoid any such improper or illegal conduct in the future. The arrangements that the Department of Justice has made with the Government of the Republic of Korea will help get at the truth of the charges that have been raised.

While this issue will continue to concern us, we must not allow it to obscure our durable interests in Korea:

-- The interests of the major Asian and Pacific powers intersect in Korea. We must prevent recurrence of war in Korea that could jeopardize the equilibrium in the Far East and precipitate a major power confrontation on the peninsula.

-- The U.S. remains committed to the defense of South Korea through the Mutual Defense Treaty of 1954 and to the reduction of tensions on the peninsula. Our

steadiness and reliability in promoting these objectives is essential not only to the security of Korea and North-east Asia, but to our own security as well.

-- South Korea has established itself as one of the most dynamic economies of the world. It offers to us a billion dollar agricultural market and our overall two-way trade will total more than \$5 1/2 billion in 1977. We must seek to expand those valuable commercial and economic ties.

-- We have a major interest in improvement in human rights in Korea, and we have not hesitated to express our views frankly to the Government of South Korea on this issue.

While these are all enduring features of our relationship with the Republic of Korea, the nature of our involvement will inevitably reflect changes in the local and international situation. Achievement of a more self-reliant defense posture for Korea has been an objective of both the Republic of Korea and the United States for several years. The impressive strides that the South Koreans have made in developing their economic and enhancing their military capabilities now permit further adjustments in the size and character of our military presence in Korea.

Last March I announced our intention gradually to withdraw U.S. ground combat forces from South Korea. I emphasized that we would manage these withdrawals in a way which would not diminish South Korea defense capabilities. In this connection we have made it clear that we intend to phase the withdrawals over a four to five year period. I have personally reaffirmed the U.S. commitment to the security of the Republic of Korea. We will augment our air units in Korea. We intend to continue providing military assistance to South Korea to enable it to compensate for the withdrawal of U.S. units. In October, I asked Congress to authorize the transfer to South Korea of some of the military equipment that our forces there have been using. It is essential that this legislation be approved by Congress so that we can proceed with the withdrawal in a responsible manner.

Our troop withdrawals are not an end in themselves. Our objective is to establish a stable, durable framework for maintaining peace and stability on the peninsula. Thus:

-- We support South Korean efforts to resume a serious and substantive dialogue with North Korea.

-- We reaffirm our willingness to meet with the countries most directly concerned, to seek ways of reducing tensions, and to replace the existing armistice with more permanent arrangements. We will not discuss the future of the peninsula except in concert with the Republic of Korea.

-- We support the entry of North and South Korea into the United Nations without prejudice to ultimate reunification.


The differences we have recently experienced with South Korea, a close ally for over thirty years, involve important matters. But our common interests compel us to look beyond current problems and to persevere in strengthening the historical ties that link our two nations.

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

*36.9 -
Still need this
in a speech - SP,
by or you*

January 11, 1978 *J*

MEMORANDUM FOR: JODY POWELL
FROM: JERRY SCHECTER *J.C.* 
SUBJECT: Statement on Korea

Enclosed is the proposed draft statement approved by State and the NSC which places our relationship with the Republic of Korea in perspective. As you know, Tongsun Park's testimony will begin on Friday and the case has distorted our security interests in Korea.

Both State and the NSC concur that it would be helpful for the President to make the points in the draft statement at his meeting with the out-of-town editors on Friday. The statement grew out of the President's request for such a summary of our interests and aims vis-a-vis Korea at the end of last year.

STATEMENT ON KOREA

We have recently completed negotiations with the Republic of Korea establishing conditions for Mr. Tongsun Park to testify in this country. Serious charges have been made of improper lobbying activities in the United States by Korean nationals and also of improper conduct by Americans. It is essential that these charges be fully investigated and that action be taken to avoid any such improper or illegal conduct in the future. The arrangements that the Department of Justice has made with the Government of the Republic of Korea will help get at the truth of the charges that have been raised.

While this issue will continue to concern us, we must not allow it to obscure our durable interests in Korea:

-- The interests of the major Asian and Pacific powers intersect in Korea. We must prevent recurrence of war in Korea that could jeopardize the equilibrium in the Far East and precipitate a major power confrontation on the peninsula.

-- The U.S. remains committed to the defense of South Korea through the Mutual Defense Treaty of 1954 and to the reduction of tensions on the peninsula. Our

steadiness and reliability in promoting these objectives is essential not only to the security of Korea and North-east Asia, but to our own security as well.

-- South Korea has established itself as one of the most dynamic economies of the world. It offers to us a billion dollar agricultural market and our overall two-way trade will total more than \$5 1/2 billion in 1977. We must seek to expand those valuable commercial and economic ties.

-- We have a major interest in improvement in human rights in Korea, and we have not hesitated to express our views frankly to the Government of South Korea on this issue.

While these are all enduring features of our relationship with the Republic of Korea, the nature of our involvement will inevitably reflect changes in the local and international situation. Achievement of a more self-reliant defense posture for Korea has been an objective of both the Republic of Korea and the United States for several years. The impressive strides that the South Koreans have made in developing their economic and enhancing their military capabilities now permit further adjustments in the size and character of our military presence in Korea.

Last March I announced our intention gradually to withdraw U.S. ground combat forces from South Korea. I emphasized that we would manage these withdrawals in a way which would not diminish South Korea defense capabilities. In this connection we have made it clear that we intend to phase the withdrawals over a four to five year period. I have personally reaffirmed the U.S. commitment to the security of the Republic of Korea. We will augment our air units in Korea. We intend to continue providing military assistance to South Korea to enable it to compensate for the withdrawal of U.S. units. In October, I asked Congress to authorize the transfer to South Korea of some of the military equipment that our forces there have been using. It is essential that this legislation be approved by Congress so that we can proceed with the withdrawal in a responsible manner.

Our troop withdrawals are not an end in themselves. Our objective is to establish a stable, durable framework for maintaining peace and stability on the peninsula. Thus:

-- We support South Korean efforts to resume a serious and substantive dialogue with North Korea.